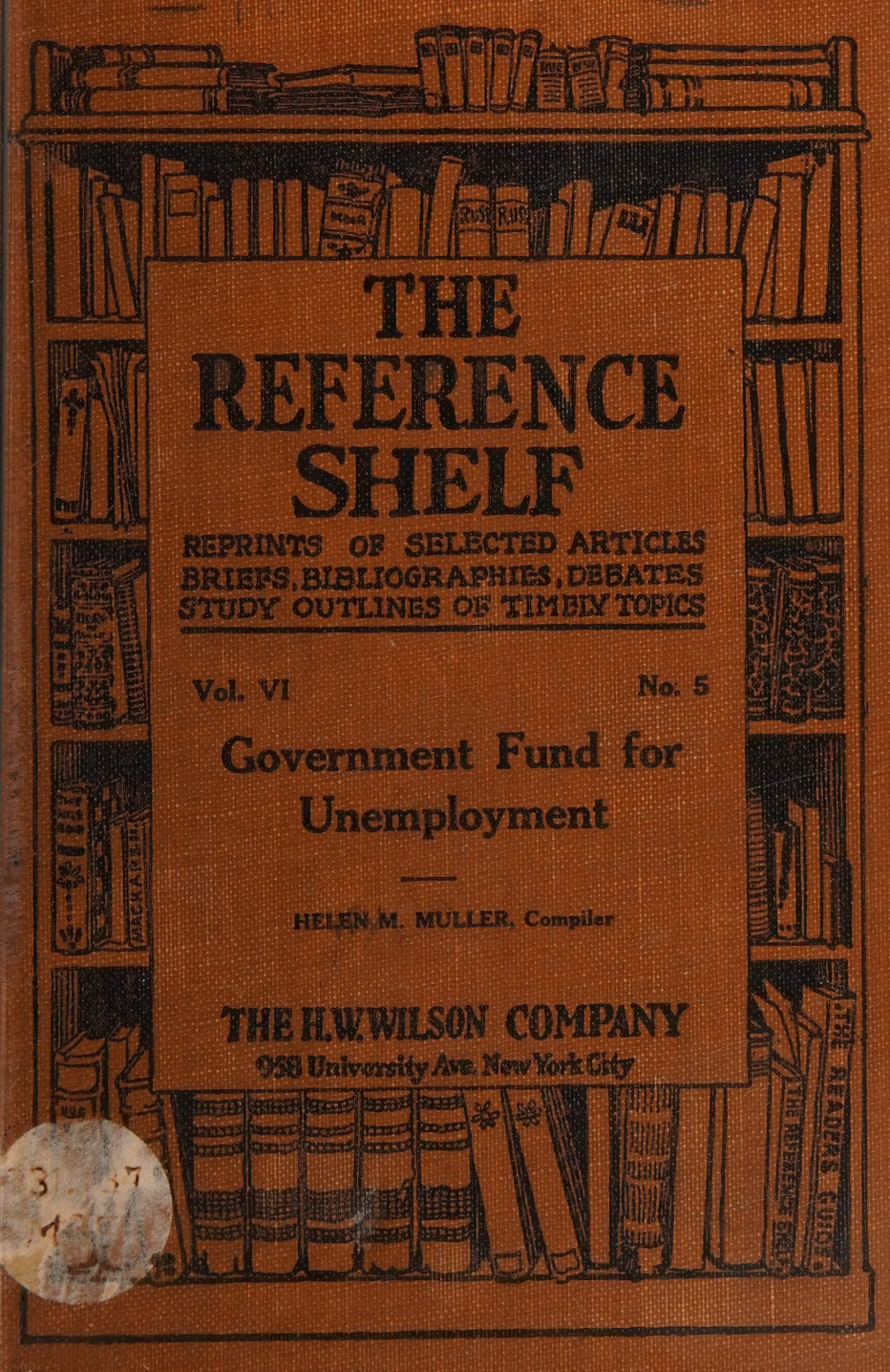




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Vol. VI

No. 5

Government Fund for Unemployment

HELEN M. MULLER, Compiler

THE H.W. WILSON COMPANY

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THE REFERENCE SHELF

Volume VI

Number 5

GOVERNMENT FUND FOR UNEMPLOYMENT

Compiled by
over
HELEN M. MULLER
111



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INTRODUCTION

The plan for a government fund out of which public works may be paid for is not immediately self-explaining. Stated as it is above it might appear to have been devised as an easy way to get money for public jobs. Stated as in the title of this book, while more nearly disclosing the purpose of the movement, it may suggest relief in the nature of a dole or compensation payment. Neither presents its true character, which requires fuller description.

The money is to be used to pay the costs of public works, but the works themselves are to be the instruments which afford employment at a time when other work is scarce. The sum will not be collected by any extra levy, but will simply be set aside yearly from the amount available for public works, by deferring such construction as is not urgent in point of time.

Neither are the works to be "made,"—that is, they are to be only such enterprises as are necessary and desirable for the government to undertake in any case, the difference of procedure lying in the fact that they are to be reserved when labor is in demand by private employers and brought forth when private business is quiet, to absorb the surplus workers.

The plan may be put into operation by the federal government as to its own projects, by the state governments without reference to federal control, or by municipalities independently of either of the other divisions.

A considerable part of the negative discussions of the question consists in offering alternative plans, as is indicated by section IV of the negative brief.

Should this plan be used, public works would of course have to be planned ahead, and all possible preparations, such as architects' plans, appropriations and contracts, put in readiness so as to lose no time when the need arose to put forward the additional work.

The expedient of public works to combat unemployment has been tried in some European countries: to a substantial degree in England, Germany and Estonia, and less extensively in Hungary and Russia. Opinions differ as to its efficacy altho, as is natural, more of the favorable judgments come to light.

HELEN M. MULLER

June 15, 1929

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BRIEFS

RESOLVED: *That a government fund for public works is the best safeguard against recurring periods of unemployment.*

INTRODUCTION

- I. This fund is to be acquired by putting aside a portion of the usual annual expenditure for public works in years when private business is good, for use when employment lags.
- II. The fund is to be a reserve out of which costs of public works will be paid, but not a sum to pay compensation or insurance against unemployment.
- III. The fund and the public works may belong to the federal government or to state or municipal governments.

AFFIRMATIVE

- I. Periodical unemployment must be prevented.
 - A. The provision of steady employment is not only a humanitarian task, but a problem whose solution will benefit all.
 - B. To expect unemployment to adjust itself is unintelligent.
 1. Experimentation must be substituted for despair or ineffective hope.
 - C. Unemployment is one of the greatest drawbacks to the progress of society.
 1. Unemployment is a national calamity and a community loss.

2. Social consciousness is awakened and communities will no longer resign themselves to unemployment as a necessary evil.
 3. The social costs of unemployment are stupendous.
 - a. There is a great loss of production from idleness of men and plants.
 - b. The cost of unemployment relief as usually conducted is staggering.
 - c. Much demoralization is caused by inability to find work.
 4. The condition of unemployment leads the workman to think of industrial revolutions, socialism and communism.
 - a. Unless society finds means of overcoming the glaring and needless faults of the existing order, the less wise among the laboring classes may insist on trying the panaceas painted glowingly by agitators.
- D. The toll of individual tragedy thro unemployment is shameful.
1. Unemployment subjects the man at work to unfair competition because of the great numbers ready to accept employment at any price.
 - a. Standards of living are depressed.
 - b. The sense of security is destroyed.
 2. Unrectified unemployment causes families to suffer serious inconvenience.
 - a. If continued this becomes real privation.
 3. Mental anguish and dangerous nervous strain are added to the physical suffering caused.

4. We, as benefited consumers, have a national responsibility to provide that those caught beneath the wheels of progress are not ignored.
 - a. Adequate consideration should be given those human beings who are made the sacrifice upon the altar of our twentieth century comfort and prosperity.

II. A government fund for public works is the best preventive of recurring unemployment.

A. Sound economic policy requires that a large percentage of public works be undertaken in times of depression.

1. The President's Conference reported that: "Under this plan our plant and equipment would be built in times of lower costs than is now the case when the contractor competes with consumable goods in over-bidding for labor and materials.

2. Extension of public credit for justifiable undertakings is a leading remedy for the chief form of unemployment.

- a. The President's Conference on unemployment reported that by this means "we would in fact abolish acute unemployment and wasteful extravagance."

3. The argument against public expenditures is useless because these works would have to be built some time.

4. The low cost of public works in depressions would afford opportunities for tax reduction.

B. No more effective stabilizing influence has been discovered.

1. This is so clearly the constructive and preventive policy for dealing with unemployment that it has been recommended by:
 - a. The International Unemployment Conference of 1913.
 - b. The Ministry of Labor of Great Britain.
 - c. The League of Nations International Labor Office.
 - d. The governments of Germany, Italy, Sweden, Czecho-Slovakia and other countries.
2. The President's Conference was agreed that "in a growing country like the United States the aggregate volume of public works of cities, counties, states and of the federal government is so great that if a larger proportion were executed in years of depression than in years of active industry a powerful stabilizing influence would be exerted."
3. Governor Brewster of Maine calls it "one of the best forms of insurance against national panics," and declares that it will do in a measure for employment what the Federal Reserve system has done for finance.
4. The conference gave the following reasons for advancement of public works:
 - a. The best remedy for unemployment is employment.
 - b. Direct employment is given by public works.
 - c. Indirect employment is given in the manufacture of the materials needed.

- d. The wages paid by those directly and indirectly employed create a demand for other commodities which requires the employment of new groups to produce. Thus public works assist in reviving industry in general.
5. In the opinion of the special employment assistant to the Secretary of War, public works activity was the main cause of the decline in unemployment noticeable by the spring of 1919.
6. Authorities state that if, over ten prosperous years, 20 per cent of ordinary public works were deferred, the lifting power would be one-third the dead weight of a severe depression.
7. Public works should act as a sponge, absorbing in bad years as well as in slack seasons some of the reserves of private employment, and setting them free again with the return of prosperity in private business.
8. An engineering statistician estimated that if in the United Kingdom a fund for public work of \$20,000,000 yearly, or only 3 per cent of the annual appropriation for public works and services, were established it would balance the wage loss from depressions.
 - a. If this were done public work, instead of declining and accentuating the depression, would exert a strong influence toward stability.
9. If, no fund being available, public works expenditures fluctuate with the cycle, great harm will be done.

- a. If the \$900,000,000 spent each year for public works is increased during a boom, prices and wages will be further dislocated.
10. Gradual refinements of the industrial and financial systems are too slow to benefit the present workman.
11. Overproduction is absurd as long as there are unsatisfied human wants.
 - a. Each person needs things he can make and others can make.
12. Construction of public works is the ideal industry for enlivening the whole economic machine, for
 - a. It represents a considerable volume of business in itself.
 - b. It is located in practically every community so that all parts of the country would benefit.
 - c. It calls for products from more than twenty-seven other industries.
 - d. It could be stimulated at the right time by simple action with minimum effort.
 - e. At the *beginning* of a slack period a very minor stimulus will stabilize private industry.
 - (1) Public works provides a *prompt* increase of demand for staple materials.
 - f. Sustained purchasing power at such a time is emphatic help toward sustained prosperity.
 - g. The Jones bill was favorably reported by the conservative Committee on Commerce.

13. The plan gives greater stability not only to industry but to government as well.
 - a. A man without a job may act like a man without a country.
- C. Opposition is limited to weak and unsupported protests or self-interested attacks.
 1. The plan does not involve the federal government unwisely in industry.
 - a. The extension of public credit for public works is not in any sense a dole.
 - b. Nor is it paternalism.
 - c. Nor does it call for a drain from the public treasury.
 - (1) No projects of doubtful utility are to be considered.
 2. The only important objectors are those who wish the use of public credit for competing purposes.
 - a. Some of these are of doubtful character.
 - b. Some are interests which desire to see all the money of small investors flow into private financial channels.
 - (1) This group opposes every policy to get the wheels of industry in motion and to prevent the colossal individual loss and suffering and the social waste of unemployment.
- D. All who have had experience with this plan stand by it whole-heartedly.
 1. Serious unemployment was avoided in 1919 by an unprecedented program of public works.
 - a. This experience during demobilization shows that it is entirely possible to

- diminish the occurrence, intensity and duration of periods of depression and unemployment.
2. Many cities adopted this plan in 1914-15.
 - a. Officials declared they had secured full efficiency from the workmen.
 - b. In some cases it was stated the work had been done at a distinct saving.
 3. Many other cities profited by the lessons of 1914-15 and expanded their public works in 1921.
 - a. Lack of advance preparation is a handicap which should be got rid of.
 4. After the favorable experience of using public works in 1920-21 California definitely adopted, by legislative act, a program of long-time advance planning of public works to meet periods of extraordinary unemployment.
 5. Pennsylvania already has a program of this kind.
 6. In 1919 eight Connecticut cities were constructing sewers or water mains during the winter months as definite policy.
 - a. Thirteen others had adopted this plan on occasion to relieve unemployment.
 7. For a decade Duluth has found winter conditions an advantage in sewer work.
 8. The Board of Public Works of Cortland, N.Y., by designating work on streets three years in advance, keeps its labor constantly employed.
 9. The principle of long-range planning of public works is supported by President Hoover, Mr. Coolidge and Mr. Mellon.
 10. The plan is approved by the Federated American Engineering Societies and by the American Federation of Labor.

11. The Welfare Council of New York City adopted resolutions approving the Jones "Prosperity Reserve" bill.
 12. The principle has been widely indorsed by leading commercial bodies and civic organizations, by wage earners and by financiers.
- E. The time to think about unemployment is when business is good.
1. Job famines are as preventable as food famines and by similar methods of distribution and forethought.
 2. The problem is too big for private charities, and in an emergency too big for unprepared municipalities.
 3. Cities that mortgage their future during prosperity are hopeless when bad times come.
 4. James J. Davis, as Secretary of Labor in 1921, said: "I do not recall an instance where there was proper timing for the inauguration of public works to take up shrinkage of employment until after it was too late. In the present instance the Department of Labor has sounded such warning in ample time."
- F. A fall in prices will be prevented if we employ less labor than formerly in production for foreign markets, using it instead to
1. Irrigate arid land.
 2. Afforest mountain slopes.
 3. Drain swamps.
 4. Develop mineral deposits.
 5. Build highways.

NEGATIVE

- I. Unemployment has never reached the alarming peak described by exaggerated reports.

- A. There is no immediate economic danger.
 - 1. Conditions have improved steadily since the last period of widespread unemployment.
 - B. It is clinging to high wages that is throttling business.
- II. Government expenditure for public works is a dangerous step for relief of depression.
- A. The country cannot afford this free use of its money.
 - 1. Both Mr. Harding and Mr. Hoover took a stand militating against remedies involving national expenditure.
 - a. Mr. Hoover said: "It is not consonant with the spirit or institutions of the American people that a demand should be made upon the public treasury for the solution of every difficulty."
 - 2. Making city, county and state jobs solely to put men to work would be wasteful, and do more harm than good.
 - 3. Public works take a great deal of money when actually needed, without looking for ways to spend in the future.
 - 4. Postponement is costly.
 - a. This cost would probably be greater than the gain due to lower labor costs.
 - b. It would doubtless undo any good done by the work supplied.
 - 5. Authority to spend money would have to be extended over several years, instead of one year, which is the safe practice at present.

6. There would have to be created an entire new board of engineers and economists.
 - a. This would be expensive.
 - b. Its deliberations would probably be tardy and long-winded as is usually the case.
 7. Many troublesome problems only begin when money has been appropriated, such as
 - a. Sequence of projects.
 - b. When to hasten expenditures and when to retard them.
 8. The increased tax rate necessitated by the plan would be immensely unpopular.
 9. The government would have to borrow to finance the scheme.
 10. By this plan, skilled workers would be wasted on rough work.
 - a. Skilled mechanics are set to road building when they should be turning out instruments of precision.
 - b. Good shoe operators are turned into mortar mixers.
 - c. Textile workers fetch and carry on construction jobs.
- B. We have come to expect too much interference from the government.
1. The government cannot be responsible for a depressed industrial situation which it has no constitutional power to correct.
 - a. Correction must come from agreement of capital and labor to cooperate in fighting the causes of depression.
 2. The problem cannot be solved by congressional enactment or executive order.

3. There is plenty of prevention work to be done by manufacturers without meddling by the government, such as
 - a. Part time work thro rotation of jobs.
 - b. Manufacturing for stock.
 - c. Plant construction, repairs and cleaning.
 - d. Reduction of hours per day.
 - e. Reduction of the work week.
4. Mr. Hoover urged that remedies should be very largely outside the realm of legislation, saying, "The administration has felt that a large degree of solution could be expected thro the mobilization of the fine cooperative action of our manufacturers and employers. That this is a problem for voluntary organization is consonant with the American spirit and American institutions."

III. This plan would be ineffective and harmful.

- A. There are practical obstacles to the plan, as follows:
 1. Unreliability of business forecasting.
 2. Difficulty of getting city officials to act quickly.
 3. Appeal of public improvements as a campaign issue.
 4. Effect of sale of municipal bonds upon supply of credit for private industry.
 5. Difficulty of forecasting civic needs for improvements.
 6. Tendency toward inefficiency in government construction.
 7. Geographic and occupational shift of workmen.
 8. Trade union restrictions on membership in the building trades.

- B. The plan would affect a limited class of workers, principally builders and navvies.
 - 1. It would not help textile workers, coal miners, engineers and many others.
- C. Its effect on labor would be bad.
 - 1. The suggestion of relief work would lower morale and output.
 - 2. In a time of trade prosperity a man who would otherwise have been employed will find himself without work.
- D. The plan is a makeshift rather than a real solution of the problem.
 - 1. Over a term of years no actual additional demand for labor will be created.
 - 2. Public works are an artificial stimulus which will never lead to a definite cure.
 - a. When appropriations are made and plans prepared, it is impossible to await a period of unemployment.
 - b. Work of this sort cannot be created indefinitely at such times.
 - 3. Unemployment is not a casual feature to be cared for on a sporadic basis.
 - a. Its existence calls for thoro probing of our tax, tariff and railway problems.
 - 4. No formula will automatically cure the situation.
 - a. Only an internal remedy will prove effective.
 - 5. The plan ignores the question of wage reduction.
 - a. The basic need is that prices of all essentials be reduced.
 - b. The major factor in prices is wages.
 - 6. If this law were passed it would be an attempt to "make work."
 - a. Such a process is always uneconomic.

7. The plan involves an impossible prognostication of depression.
 - a. Opinions would differ as to whether a depression really existed.
8. It would be a risky form of development.
 - a. Not only use of public funds is to be considered, but also the probable and advisable growth of the city.
- E. The plan is too slow to be useful.
 1. The depression may well be over before Congress meets, the appropriations are passed, the plans drafted, the bids received and the work actually started.
- F. It can easily lead to corruption.
 1. Budgetary methods and charters would have to be changed, giving a dangerous freedom in the use of public money.
 2. A government forecast of depression could not be kept free from the influence of politics.
- IV. Other methods of equalizing cycles of employment are far sounder.
 - A. Employment depends upon a normal balance between agricultural prices and prices of manufactured goods.
 1. A sliding scale of prices to preserve this balance is the true solution of unemployment.
 - B. One real trouble is the overgrowth of our city population, and unemployment will recur until people are driven back to the country.
 - C. Regulation of capital investment would be much more effective than a fund.
 1. This is entirely logical, for
 - a. Depressions arise from lack of plan in private enterprise.

- b. An agency to remove haphazard capital investments would go far in neutralizing the business cycle.
- 2. Government expenses are high and taxes have been drastically cut, so that we face the constant possibility of a deficit.
- D. Manufacturers can encourage consumption when production tends to overtake demand, by working on closer margins and making greater sales efforts.
 - 1. When this combination fails to bring results unemployment is unavoidable.

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GENERAL DISCUSSION

PRACTICAL MEASURES TO REDUCE UNEMPLOYMENT¹

Modern democracy organizes to rout an insidious social foe. In America, the national Government has just held a conference to further measures for more employment of its citizens. The European countries and others affiliated with the League of Nations have been seriously engaged in carrying out some of the measures, recommended by the International Labor Organization, to reduce unemployment. Their experience is available to this country, through the American representative of that organization, Ernest Greenwood.

Why is there general idleness in industry in the United States, where the ruling power is in the hands of the people, and where, by nature and circumstances, so much wealth abounds? We possess a surplus of food and clothing, ample fuel and adequate housing, though crowded, factors that exist nowhere else in the world. There are still vast acreages of virgin soil to be cultivated, minerals to be dug, rivers and harbors to be developed, as well as factories to be built and equipped. Not only have we a growing demand to be satisfied, but there is also a world-wide call for our products, particularly of the mills and factories. Has our capacity for organization and cooperation become weaker?

Apparently one of the remedies for the existing paradox is to be sought in this direction, as Secretary Hoover is marshaling the representatives of industry and

¹ By Sherman M. Craiger. *Review of Reviews*. 64:513-20. November 1921.

labor, along with those of commerce and finance, to devise emergency measures in mining, manufacturing, transportation, shipping, construction and public works. This is a decided step ahead, although but a partial measure. Much is gained when we face the facts frankly, however, and recognize that involuntary idleness on such a scale as now exists is a menace, unjust and unnecessary.

What the country is primarily concerned with now is the increase in unemployment—the additional 3 or 4 per cent above the normal, so called. Not that I would use that term as implying a desirable condition, but simply as inevitable under the existing degree of industrial evolution and the capacity of human beings to cooperate. Probably the social organism as now constituted never can wholly eliminate involuntary idleness, but it must adjust itself to reduce this.

THE UNEMPLOYED ALWAYS WITH US

As long as the volume of unemployment does not exceed 2 or 3 per cent of the total population, we do not seem to be seriously affected. That has been our condition for about twenty years. Glance at an analysis of the normal trend of employment in the United States from 1902 to 1917, made by Hornell Hart. He shows that the peak of idleness usually came in January of each year, when there was an average of 3,400,000 out of work. Conditions improved steadily from then through the harvesting season until October, when the average number of unemployed was about 1,900,000. On a percentage basis we make use of the calculation made by the United States Bureau of Education that in 1920 there were about 64,000,000 people in this country over twenty-one.

From the foregoing it is clear that, during the fifteen years prior to the World War, there never has been a time when considerable unemployment of an involuntary sort did not exist. From one point of view it may be

estimated that each year there have been a million and a half persons desirous of working who were unable to find anything to do. This indicates a defective organization of industry, for one thing, with a possible relation to the rate of wages. Here seems to be a pertinent field for our business men and labor organizations to explore. Can they discover a way to limit the effects of idleness due to seasonal unemployment, casual labor and changes in industry?

We are suffering now from these as well as another evil, which is called cyclical unemployment. This is really a lack of work due to periods of general trade depression, and is experienced by every country during a series of years. Some of these symptoms are fundamental to the entire structure of social and economic systems. They have combined to bring about, perhaps, the most severe crisis ever known.

How acute it is may be seen by comparing the conditions at the beginning of November in ordinary years, when, as has been pointed out, there have been about 1,900,000 persons idle. To-day, according to figures prepared by Secretary of Labor Davis, there are approximately 5,735,000 fewer people employed in industry. This indicates an excess of 3,835,000 now unemployed, and no words are needed to bring home the gravity of the situation.

DECLINE BEGINNING IN 1920

No sudden change has brought this about. As long ago as April, 1920, the difficulties began to show themselves in various industrial centers. I spent some time in visiting manufacturing towns in Massachusetts, Rhode Island and Connecticut both in April and May, last year, and found symptoms of declining industry. In the former month some large factories in Lowell and Holyoke found themselves short of orders, and laid off many

employees. Several plants in Springfield and Worcester followed suit the succeeding month.

The textile and steel industries in eastern New York continued in normal operation until July, when the price of cotton suddenly broke from 43 to 11 cents a pound, and the orders for steel rails and billets began slowing up. Almost immediately there was a curtailing of output throughout the important industrial centers of the Empire State. In Connecticut and Rhode Island the cotton and woolen mills either shut down or continued to operate with reduced working forces. The same thing happened to the metal industries.

A similar trend appeared in New Jersey, Pennsylvania, Ohio, Indiana and Illinois—other great industrial regions. In the southern states the stagnation in cotton and tobacco was nearly complete. The grain belts were affected by the fall of the market for farm products, and the cattle growers also suffered. The general business decline was in full swing.

Two factors helped to get us through the first period of the industrial setback a year ago. The people had savings from previous years of high wages, and the winter of 1920-21 was unusually mild. But there has been a progressive decline in employment from the peak, which was March, 1920.

THE SITUATION IN NEW YORK STATE

While the statistics leave much to be desired, an examination of the reports from 1580 factories in New York State shows a decline in employment to date of approximately 30 per cent. This indicates that there are 450,000 fewer workers in industry than at the high point of last year. The greatest reduction has taken place in the iron and steel mills of the state, where from 20 to 30 per cent of the former employees are at work. A heavy curtailment exists in the number of workers engaged in the production of agricultural machinery and implements. The metal industry is generally affected most adversely.

The shirt and collar industry of Troy is employing about half its usual quota. The textile and woolen mills along the Hudson and Mohawk Valleys are slightly busier. There are seasonal gains in employment in the men's clothing industry, and in the manufacture of cloaks, waists and women's apparel.

Perhaps the greatest center of unemployment is in the city of New York, although reliable figures are lacking. One of the greatest needs, not only in the metropolis, but throughout the country, is a mechanism for collecting accurate statistics on employment, and if machinery of this sort can be devised and set up, as a result of the National Unemployment Conference, a decided step ahead will have been taken. Some of the present figures may be taken as accurate.

The federal Government on January 1 last reported a total of 518,220 persons employed in factories in New York City. This number contrasted with 755,463 at work there on January 1, 1920, indicating a reduction in employment of 31.8 per cent. By the first of last April the increase in industrial operations in the city of New York had brought about the employment of one-third of these idle men and women, or approximately 79,081. Thus, at the beginning of the spring we had about 158,162 idle in the metropolis, in the various factories.

With these figures in mind we may proceed to a consideration of the statistics of the New York State Department of Labor, which indicate a decline in factory earnings in June and July. With August there came seasonal shut-downs of plants, and these have not shown a consistent revival during September. At the beginning of October there has been a slight spurt in some trades.

In a recent walk through the factory districts of Brooklyn, I found displayed the "help wanted" signs on the doors of the smaller factories. One manufactured clothing, another suspenders. In the Bronx I noticed an occasional placard for help. A safety-razor factory

required additional employees, and this was true of other specialty plants.

On the whole, I question if there has taken place any considerable reduction in the ranks of the unemployed factory workers in New York City; in fact they have probably grown.

To these figures should be added those representing the involuntary idle among the sailors, longshoremen and other workers. About 16,000 sailors are out of work, due to the falling off in our export trade. It is estimated by William F. Kehoe, secretary of the council of the New York City Central Trades Organization, that there are 96,000 idle longshoremen and teamsters; 22,500 machinists not working and 18,000 printers, pressmen and photo-engravers unemployed. He places the number of idle ship workers at 250,000; but the latter do not all belong to New York. There are no reliable statistics as to the number of clerks and executives out of work, but a visit to the offices of the National Employment Exchange and other private agencies frequented by this type of worker revealed a very large quota.

Altogether, it is undoubted that the estimate of half a million unemployed in the metropolis, as made by John Sullivan, president of the Central Trades Assembly, is approximately correct. In this total, of course, are not included the numbers of skilled workmen, members of the building trades and allied lines, who elect to remain idle in lieu of accepting compromises in the wage scale, as offered by the Employers Building Trades organization.

ILLINOIS, PENNSYLVANIA AND OTHER STATES

If approximately 13 per cent of the idle workers of the country live in the Empire State, a great deal of difficulty is experienced in localizing the remaining 87 per cent. In Chicago, a survey made some time ago by

the Association of United Charities indicated that there were 100,000 jobless in the Windy City. Curiously enough, there is no official record available of the employees in the state of Illinois, or other information on employment. It is a remarkable commentary on the failure of a great democratic commonwealth that it never has organized itself to acquire the most rudimentary facts concerning the daily work of its people. Well may Viscount Bryce question if democracy gives much proof of its increasing capacity to govern wisely, when one of our greatest states comes to meet an unemployment crisis without reliable data as a basis to guide it.

Philadelphia has considerable unemployment, although figures are lacking. The Industrial Relations Committee of the Chamber of Commerce is conducting a study of the situation, and expects to make a census of the people who are idle. A serious condition exists, as there has been an improvement of only about 1 per cent in employment since July.

Throughout the state of Pennsylvania there were reported a total of 300,000 unemployed on the 15th of August. About 69,000 were formerly engaged in metal and machinery plants, 48,000 in the mines and quarries, 20,000 in wholesale and retail establishments, 12,000 in transportation industries and public utilities, and 61,000 common laborers. The remainder were in miscellaneous occupations.

The reports from Ohio indicate an acute situation, the unemployment being greater than a year ago, or in January last. At least 50,000 miners are practically idle. The steel mills and rubber factories are operating at about one-third of their normal capacity. The savings of the people have largely been exhausted, and in some of the industrial centers the unemployed are now being fed by the public.

In Wisconsin about 130,000 persons are without work, both the skilled and unskilled trades being affected.

The improvement in the automobile and truck manufacturing industry is responsible for the better state of affairs existing in Michigan. This influence has reacted on the allied industries, so that there is at present more employment by 25 per cent than at any time since January. Most of the idle are common laborers.

In West Virginia the number of the unemployed has increased by 40 per cent since the first of the year. The great majority of these are mine workers, of whom it is estimated that a quarter of a million throughout the United States are without jobs.

Kentucky suffers in this connection, and reports about 60,000 idle. In a lesser degree, Tennessee has one-third of its mines out of commission, with a corresponding growth of unemployment.

Similarly, in Alabama, the unemployed are confined to the coal, iron and allied industries. A few cities in Georgia report an excess of idle, but it is not large.

Florida, on the other hand, has almost no unemployment, and even reports a small shortage of labor in certain spots.

The New England states show improvement in certain industries, such as the cotton and woolen mills, the boot and shoe factories, and the paper plants.

Maine has about 18,000 without work. In New Hampshire 21 per cent of the workers are idle. Vermont is in better condition, her textile industries operating at from 75 per cent to 85 per cent of capacity. The quarries and metal trades, however, are still working at a low ebb. The town of Springfield, Vermont, with a normal population of 7000, has lost 2500 of its people through unemployment.

A quarter of the workers in Massachusetts are out of work. Within the past few months over 2000 persons have left the city of Worcester to seek employment. Among these are many foreigners who have returned home. Others are women who have gone back to farm life.

Connecticut has 120,000 idle, while the conditions in Rhode Island are far from good.

While in Minnesota and Nebraska the general conditions have not greatly improved, there is a ray of hope in the Dakotas. The Industrial Commissioner of North Dakota writes that any laborer who will accept the wages offered by farmers can secure immediate employment. The percentage of idle in South Dakota is very small.

Kansas has about 10,000 out of work. In Iowa a steady improvement has occurred since June, when the factories were employing about 40 per cent of their maximum number. Most plants in Missouri report more work than for many months.

The greatest amount of idleness in Oklahoma is in the oil industry repair shops, packing houses, the coal and lumber trade. At least 35 per cent of the meat packing plants are closed.

Texas has a large number of idle factories but increased activity in the building trades. Half of the workers in New Mexico are on part time.

There are from 15,000 to 20,000 idle in Colorado, while in Montana there is less work now than last January. This is ascribed to the closing of copper mines and lumber mills.

In Utah and Arizona a considerable amount of unemployment has been going on in the coal mining industry and the railroad shops. The latter state reports more activity in building and road construction, with a better demand for agricultural labor.

The far western states, California, Oregon and Washington, have had a relatively good summer, and there has been a considerable growth in employment in the fruit industry, the canneries, on the farms and in public works.

On the whole, it is a fair estimate that there is from 20 per cent to 25 per cent less employment in American industries than a year ago. On the railroads, 302,053

workers had been laid off on April 1, a reduction of 15.2 per cent in a year.

DOMESTIC SERVICE

While it will be well for us to take the statistics given hitherto as the best obtainable, some allowance must be made for them. Undoubtedly some of the workers have gone from the factory to the kitchen or the farm. I remember in Troy recently that some young women formerly employed in factories in New Haven had returned to their native town and accepted work as maids and cooks. This in the face of the fact that the collar and shirt factories in Troy have laid off perhaps from 3000 to 4000 women in the past year. Many of the latter, however, belong in the country districts along the Hudson and Mohawk Rivers, and have returned to their homes.

There is no proof, at the same time, that there has been a general exodus of women from the shops to the kitchens, or of the men to the farms. In New York City today there are not enough cooks and general houseworkers to supply the demand. That is, while the girls are willing to accept a 10 per cent reduction of wages, they frankly are living on their savings of the past few years rather than work as domestics for the lower pay offered. In the metropolitan district of New York, embracing a radius of twenty-five miles from the City Hall, there is a demand for houseworkers that is not met.

This condition prevails in many towns in New York State to my personal knowledge. It is true, also, in other states. Relatives in Ohio and California write me that they cannot obtain help for their farms. Likewise in Illinois, and, very probably, in other localities.

It is apparent that the general unemployment among factory and industrial workers is not going to affect the demand for domestics. The employment agencies report

that such persons rarely become good servants. Where the experiment has been tried it has not been successful. Rather than work in a kitchen many girls prefer to go without a fully nourishing diet, let alone the pay offered.

Here may be the place to observe that one of the underlying reasons for this state of affairs is the false economic policy adopted by the United States during the war. Instead of conscripting labor for the munitions and other war-work plants, the people were drawn into them by artificially high wages and thus given an entirely erroneous notion of the workings of the law of supply and demand. We pay a dear price for readjustment.

WAGE REDUCTIONS IN THE BUILDING TRADES

Again, what shall be said of the attitude of some of the building trades, whose refusal to accept a reduction of wages along reasonable lines has resulted in holding up a great volume of needed building construction, with accompanying paralysis of employment in allied industries?

Happily, there are some signs of returning sanity in this particular situation. On Labor Day, Judge Kenesaw M. Landis of Chicago gave a decision as arbiter in the dispute between the building trades employers and employees of that city by which the building labor wage is cut from 10 per cent to 36 per cent. This applied to all crafts, save the stone carvers, who are experts in chiseling intricate designs on stone. It is expected that this decision will be accepted by both the men and employers. About \$100,000,000 will then be released for building purposes—sufficient to give employment to 25,000 idle men.

PUBLIC WORKS

At a meeting at the City Club of prominent Chicagoans, representing charitable, civic, industrial and labor organizations, it was proposed to create a fund of

\$40,000,000 available for labor. This comes out of bond issues authorized by the city, county and state authorities, and opens up a way to alleviate some of the present hardships.

In the state of New York there will be a continuous letting of public work, such as buildings and highways, during the fall and winter, writes L. F. Pilcher, the State Architect. There are considerable sums available. A total of \$17,465,000 is provided for road improvement. The canals and the New York-New Jersey Vehicular Tunnel receive \$10,563,000 and \$5,000,000, respectively. There is \$1,043,000 for public buildings. Many thousands of men as a consequence will be employed.

A CITY EMPLOYMENT BUREAU

At the beginning of September, Mayor John F. Hylan of New York appointed a Committee on Unemployment, representative of the financial, commercial, transportation, real estate, mercantile, philanthropic and social service interests. As a result, the resources of the city of New York have been mobilized to meet the crisis. The committee recommended the formation of an Industrial Aid Bureau to cooperate with the federal authorities as well as those of the state.

This was created by the city government, and began operations in the middle of September, \$25,000 having been appropriated by the Board of Estimate. The employment division of the bureau aims to bring men and jobs together, through a clearing-house where employers may find the type of worker suited to their needs. The applicants are classified as unskilled laborers, clerical and professional workers, and women, skilled and unskilled.

The bureau is administered by the Commissioner of Public Welfare, a representative of the American Legion, and the president of the Labor Council, all serving

without compensation. A total of thirty-three salaried positions were provided for in the appropriation, and these were filled from the men and women who had been on the unemployed list. Half were ex-service men. Thus the city set a most commendable example.

Commissioner of Public Welfare Bird S. Coler, the Chairman, reviewed the proposed activities of the Board in admirable fashion. He said:

No time will be spent in exhaustive, costly surveys. The steps to be taken may be summed up as follows: To create a need for workers, men and women; to ascertain where this need exists and systematically to list all calls for workers; to make the worthy jobless acquainted with the functions of the bureau; to introduce the man to the job and the job to the man; to provide at least one day's work if the earnings of that day will avert hunger; to begin weeding out, immediately, those not entitled to the benefit of the bureau. This applies to the itinerant, particularly to the out-of-town type, that with every epidemic of unemployment comes in hordes to New York City.

Some idea of the excessive number of those unemployed in the metropolis may be gained by considering the record of a single day's work at the Industrial Aid Bureau recently. There were 306 men and women registering for positions, and of these, 103 were sent out to prospective employers in answer to requests. Only 79 received situations, or 26 per cent.

At the Bowery Mission during a recent week, meals were served to 1715 men, an increase of nearly 200 per cent over the corresponding week of last year.

EX-SERVICE MEN IN NEW YORK

A very unhappy situation has arisen in connection with the plight of the ex-service men, of whom the American Legion officials state about 40,000 are out of work in New York City. From 50 to 60 a day have been applying to the Legion Bureau for food, clothing and work. Fortunately, it has been ascertained that an amendment to the poor laws of New York was adopted in May, 1920, providing that any veteran of any war

must be taken care of by "outside relief," and under no circumstances be sent to an almshouse. Former soldiers will receive jobs if possible, money with which to pay their rent and buy food, if necessary, and whatever else is needed to keep them in good health. It is unthinkable that any ex-service man should suffer. None receiving relief under this act are to be classified as paupers or as recipients of poor-law relief.

The menace of thousands of hungry men, unsheltered and unclothed, as far as warm outfits are concerned, is so grave that the public has given evidence of awakening to the seriousness of conditions. During September, Urbain Ledoux, who had appealed to the mass psychology of Boston by holding a "slave market" on the Commons there for a number of jobless, arrived in New York, and announced his intention of repeating the program there. If his plan was to secure attention it was eminently successful, for the police broke up the meeting and at first even denied permission for him to distribute food to the hungry men. After the first flash of general publicity, however, the public began to manifest deep interest in the plight of the unemployed sitting in the parks of the city. Representatives of women's organizations made regular visits and distributed sandwiches and coffee to the unfortunates.

INDIVIDUAL EXPERIENCES

The difficulty of securing a position in New York at this time may be illustrated by the following specific instances: A skilled executive, with a college training, was unexpectedly thrust out of his place on the first day of August, due to the liquidation of his employer. He set out to call on corporations engaged in similar work, and in the space of two weeks interviewed the representatives of thirty-one large concerns. Also he replied to eight advertisements in the daily papers.

One of the latter was from a bank which made him an offer of several thousand dollars a year with a bonus. In the meantime one of the firms he had called upon made him another offer, equally attractive, which was accepted, and he went to work without delay.

Another man, without special training, also was discharged the first of August. He had a grammar-school education, served for one enlistment in the Navy, sold silk for a wholesale house and also worked as checker in a large restaurant. Every morning for three weeks he arose at five a.m. and hurried out to get a newspaper. After nearly a month of wearily standing in line for several hours each day he was offered a position at \$18 a week. It was only through the help of his wife, who herself secured a place as waitress in a restaurant, and earned enough to pay room rent and buy food for two, that he was enabled to persevere.

The usual sleeping place of the single men has been on the benches of the parks, under the wheelbarrows, and in carts, on the steps of buildings, and even on the ground. Newspapers had served as their only protection from the damp and cold. These men are not the usual type of unemployed. Many of them have been observed at the little lakes in the edge of the park stripped to the waist washing their shirts.

A "BUYERS' WEEK"

An important step was taken by the Mayor of New York toward the end of September in calling a conference of merchants and business men to consider the feasibility of trying to stimulate business by means of a so-called Buyers' Week. At the meeting, Franklin Simon outlined a plan of action calling for the cooperation of wholesalers, retailers, railroads, hotels and other business groups. He divided the intensive selling campaign into two periods of one week each.

The first called for the cooperation of the manufacturer and wholesaler. By means of letters and announcements in trade publications it was proposed to interest the large selling organizations throughout the country in sending their buyers to New York and consolidating purchases during a Trade Revival Week. Considerable employment in many lines is bound to follow.

The second week calls for the cooperation of the retail merchant. With special publicity and buying inducements offered in the press, the public recognizes it as a legitimate, organized movement and responds in such a manner as to result in a larger volume of business and increasing employment. Rightly handled, there is considerable power in the suggestion of a Buyers' Week, and many cities are manifesting interest in the plan. It is expected that during November, New York, Newark, Philadelphia and possibly Boston will undertake a step along this line.

One large New York house had a full-page advertisement in the press offering to buy \$500,000 of merchandise at once for cash and put it on sale at exactly the wholesale price paid for it. This is an example of public spirit that doubtless will be far-reaching in its effects.

AN EMPLOYMENT "DRIVE" IN PHILADELPHIA

The City of Philadelphia has brought together the representatives of fifty-four business houses, industrial corporations and related organizations, pledged to seek jobs for the unemployed. Every important railroad, manufacturer and business man agreed to join with all others in providing employment for those who have been involuntarily idle. The Chamber of Commerce is actively cooperating with the effort, and there is a feeling of encouragement over the outlook. It is only by the most diligent, soul-searching activity that results will come.

The Governor of Pennsylvania announces that there is a total of \$88,525,232.11 available during the calendar

year 1921 for the construction of highways. This is made up of federal, state and local funds. At this time about \$50,000,000 worth of this work is under way. In addition there is an appropriation of \$666,000 for public buildings and \$450,000 for bridges. This will afford considerable employment throughout the winter and spring.

VARIOUS INTERESTING SUGGESTIONS

In a number of states some novel measures have been under consideration. The Mayor of New Britain, Connecticut, has had before him a plan by which delinquent rent-payers could perform work for the city, their wages in part to be turned over to their landlords in order to avoid evictions. Another scheme was to let property owners who, because of unemployment, were unable to pay their taxes, meet their debt to the municipality by doing some manual labor.

The city of Racine, Wisconsin, inaugurated a municipal work project and voted a special bond issue of \$150,000 for street, park and cemetery improvements. Three hundred unemployed heads of families began work on the undertaking at the rate of thirty-five cents an hour. Some of them have worked for six days a week and others but two or three, according to the needs of their families. In cases where men refuse the work offered, the city denies all further aid through charity.

Gov. Channing H. Cox of Massachusetts has given considerable attention to unemployment throughout the state. He has urged, as a permanent policy, the setting aside of 10 per cent of the appropriations for improvement projects in order to make possible a reservoir of employment for the coming of hard times. He points out that in the course of a seven year period this would ordinarily amount to several million dollars for the state or municipality adopting it, so that when the cycle of unemployment approaches periodically there will be machinery ready to cope with it in part.

Governor Cox has communicated with the county, city and town officials throughout the state, urging that projected public improvements be started immediately instead of waiting until the spring. The replies indicated a general willingness by community officials to help relieve unemployment.

There are several appropriations available in Massachusetts for public purposes. Eight hundred thousand dollars has been appropriated for buildings. The sum of \$6,000,000 is involved in active contracts on highways and \$920,000 for the waterways division.

A somewhat different policy has been adopted in Indiana. Although the balance in the highway fund amounted to \$2,700,000 and the inheritance tax for 1921 amounts to approximately \$600,000, the automobile license tax to \$2,200,000 and the proceeds of a levy to as much again, it is not the policy of the state to let contracts for road construction during the fall. A few construction contracts will be let during the winter for projects to be built in 1922.

Gov. Henry J. Allen of Kansas writes that there are uncompleted contracts this fall for a large amount of road mileage, with appropriations amounting to a grand total of \$6,489,390.65. He adds:

While we have made no program to use public work for the purpose of relieving the labor situation, our State Highway Commission is keeping in mind the wisdom of that policy and as the situation develops it is advising county boards in the letting of contracts to take cognizance of helping the labor conditions.

A forward policy likewise has been adopted in New Jersey. The last Legislature appropriated \$500,000 for highway construction, and there is available, in addition, approximately \$3,300,000 from appropriations or bond issues of former years. Furthermore, they have available the receipts from motor vehicle licenses and fees. The work on all of these contracts has been let and the construction will continue throughout the winter, weather permitting.

Gov. O. H. Shoup of Colorado writes that there will be approximately \$7,800,000 of federal, state and county funds available this year for road construction and maintenance—also \$1,000,000 for public buildings. It is expected that contracts will be awarded throughout the winter.

In Missouri, Governor Hyde says there is about \$6,500,000 in hand for road building and \$3,500,000 for public buildings. He anticipates that by the first of next March there will be an additional \$10,000,000 for highways. Everything possible is being done to push the contracts for the expenditure of the money appropriated in order to assist in taking care of the labor situation.

Maryland has provided \$4,000,000 for highway construction, \$1,500,000 for buildings, and \$250,000 for waterways.

The Governor of Minnesota, Hon. J. A. O. Preus, is giving considerable attention to the problem, and writes that the largest sums of money for construction and improvement work in 1922 will be spent upon the public highways. The state has recently taken over about 7000 miles of road, to be maintained and extended from funds provided by a license tax on automobiles.

A STUDY OF PUBLIC WORKS AND UNEMPLOYMENT, 1919 TO 1925²

A study of the potential power of public works in averting cyclical unemployment has recently been made by F. G. Dickinson, of the University of Illinois. The results are published as a supplement to the September, 1928, issue of the *Annals of the American Academy of Political and Social Science*. The period under review is 1919-1925.

Among the various angles of the problem that are discussed by Doctor Dickinson are: (1) The annual

² *Monthly Labor Review*, 27:1156-9. December 1928.

expenditures for the different types of public construction; (2) the fluctuations in employment; (3) the portion of unemployment which would have been absorbed if public works had been perfectly distributed in the years of the most severe unemployment; (4) the effect of such distribution of public works upon construction costs and the cost of floating Government debts; (5) the practical impediments which would have to be overcome in the operation of this system of prevention, which he lists as follows:

The unreliability of business forecasting.

The difficulty of getting city officials to act quickly.

The appeal of public improvements as a campaign issue.

Municipal financing problems.

The effect of the sale of municipal bonds upon the supply of credit for private industry.

The difficulty of forecasting civic needs for improvements.

The tendency towards inefficiency in government construction.

Geographic and occupational shift of workmen.

Trade-union restrictions on membership in the building trades.

The above subjects are taken up separately at some length and in connection with certain topics tables and graphs are presented. The summary and conclusions of the report are given in part below:

As a preliminary to drawing conclusions, attention is called by the investigator to the peculiar features of the period (1919-1925). Not long after the armistice public officials again took up peace problems. Many plans for public improvements which had been on file during the war were brought out for revision and immediate application. In less than a year after the armistice cities were endeavoring to outstrip each other in volume of construction. This immense activity increased year after year until some people were alarmed at the enormous number of bonds on the market. It is obvious that the period was one of abnormal growth in governmental expenditures for public construction and it is, of course, necessary to be cautious in making deductions based upon

these seven years. Parallel with this large increase in public work there was an enormous expansion in private industry. New establishments were set up, new industrial enterprises were launched, and prices soared rapidly. The peak of prosperity was reached early in 1920 and suddenly fell in the autumn of the same year. In the latter part of 1922, however, the upward climb of prices and employment began again.

Doctor Dickinson states that it is not his purpose "to generalize upon the possibilities of using public work to prevent cyclical unemployment for all time to come, but only with reference to the years 1919-1925." He emphasizes the limits of the usefulness of the study, but such caution, he feels, is preferable to dubious generalizations.

It is also pointed out, "as another inherent weakness," that only factory unemployment is referred to in this measurement of the possibilities of public works in the offsetting of industrial depressions. At the same time attention is drawn to the fact that the factory laborers' problem is outstanding not only because of the large numbers of persons involved but because of the irregularity of their work.

The above explanation should be given weight in considering the following digest of Doctor Dickinson's conclusions:

1. The value of public construction contracts let during the 7-year period under review ran from \$674,000,000 in 1919 to \$1,283,000,000 in 1925. The increase was fairly even except for 1921, in which year there was no substantial growth.
2. The total amount of wages of factory employees varied greatly from year to year but the total of 1925 (\$10,409,000,000) was approximately one-half of 1 per cent less than the total for 1919.
3. If all of the public construction had been perfectly distributed during the seven years, the wages paid on such public construction would have been sufficient to offset the wage losses of factory laborers. In brief, the employment index could have been maintained at 100 for each of the seven years.
4. If only 50 per cent of the public construction of any one year could have been shifted, the wages paid thereon would not

have been sufficient to avert all the unemployment in 1921 and 1922, but a substantial percentage of the unemployed would have had work. In 1921 the index would have been forced up from 86 to 95 by the absorption of approximately 67 per cent of the unemployment of that year.

5. It is not easy to ascertain the net result of this shift of public construction from prosperous to depressed years. The period of most severe unemployment was the prelude to the months in which wages and prices of materials were lowest. Some of the transference of public works from one year to another would mean increased cost. "Taking the period as a unit, the saving in cost would be only 2 or 3 per cent at the most. This conclusion does not concur with the arguments advanced by champions of this economic reform who claim it would greatly reduce the cost of public construction."

6. The 2 or 3 per cent saving might have been completely obliterated by loss incurred in marketing bonds during depressed years when interest rates were not favorable to borrowers. Naturally, the improvements financed by current taxes would not be affected by these fluctuating interest rates. Moreover, it is likely that the selling price of municipal bonds would not have declined to such an extent if a large amount of public construction had been undertaken in 1921. There can be no very accurate estimate of the loss for the period as the bonds were marketed six to nine months previous to the letting of the contracts. Indeed, the final conclusion on the cost problem "is neither favorable nor unfavorable." Doctor Dickinson holds that the efficacy of this proposal to shift public construction is not determinable by the issue of economy and extravagance in expending the taxpayers' money.

7. Somewhat different results are reached when the pay-roll index is substituted for the employment index. Although this substitute is of value it does not serve the purpose of the investigation so well, "because it is the product of two variables—employment and wage rates; the latter being a variable which this shifting of public construction would tend to eliminate."

8. The preceding conclusions must not be "considered apart from business psychology." An economic depression is in a measure the result of a "lack of confidence in business." It might develop that the letting of a very large number of construction contracts would tend to reestablish confidence and regularize industry. Such a stimulus would increase the possibilities of the scheme under discussion by still further stabilizing production.

9. Apparently, geographic labor mobility would have been unnecessary, as public construction was not restricted to any one part of the country, the distribution corresponding roughly to the population. An overemphasis seems to have been given to occupational mobility as an impediment to the scheme, for a relatively small proportion of the construction price goes to local laborers actually on the job.

10. To put such a construction program into effect trade-union cooperation must be secured. The introduction of new workers into the construction trades would have to be allowed even if such workers were only given temporary union membership. The determination of the number of new workers would depend largely upon the occupational mobility referred to above.

11. The whole proposal constitutes "a challenge to the agents of social control." It is acknowledged that vigorous initiative on the part of the United States Government would be necessary for the operation of this scheme. Even with such impetus it would be no easy task to hold transitory local governments in line with the federal program. While it is not the purpose of Doctor Dickinson's thesis to present the framework of a complete scheme he ventures to suggest certain lines that could be followed, namely:

The Government might refuse aid to hard roads built in highly prosperous years. In making educational grants to high schools, aid might be withheld from communities which had built their schools in years in which unemployment was negligible. Arrangements for sinking funds would not be advisable. Restrictions on indebtedness to which cities are now subject would have to be eliminated or made less drastic. When employment declined a specified per cent below the average of a period of years, action would be taken to expand construction work. Such a fixed per cent would undoubtedly not be altogether satisfactory but some rigidity is required for the functioning of social control. Municipal authorities would be obliged to do a good deal of advance budgeting of needed construction in order to be in a position to act promptly upon advice from Washington.

Doctor Dickinson repeats that it is not the purpose of his study "to advocate this economic reform but merely to show its possibilities and limitations." The shifting of employment from prosperous to lean years is considered. Such procedure might be described as "robbing Peter to pay Paul." He points out, however, that it is quite widely accepted that the progress of industry would be accelerated and life made more enjoyable if the peaks of prosperity and business slumps were not so pronounced. He also suggests that possibly in his study too arduous an attempt was made "to secure objectivity," the

result being a disclosure of the shortcomings of the statistical method in this particular field.

In the final paragraph of his report Doctor Dickinson, by way of emphasis, reiterates his findings, namely :

That the amount of public construction was of sufficient volume to avert the major part of factory unemployment if such construction had been properly shifted; that the suggested allocation of construction would not have substantially affected construction costs for the period as a whole; and that the political handicaps of the scheme are formidable but may be overcome if a progressive public "wholeheartedly desires" to solve in part the problem of unemployment.

HOOVER'S PLAN TO KEEP THE DINNER-PAIL FULL *

The abolition of poverty—or a job for every worker—was more than once depicted by Mr. Hoover during his campaign as the great aim of the American economic system. Now his proposal to create a \$3,000,000,000 reserve fund to be used for public construction work, so as to ward off unemployment in lean years, is hailed as a step toward that goal—altho there are many who predict that the plan will not progress far before it collides with formidable obstacles in its path. But whether it is put into effect or not, others remark, taken with his good-will tour of South America, it throws an interesting light on the probable character of Mr. Hoover's administration. Economics will be its keynote, as economy has been the keynote of the Coolidge administration, predicts Robert R. Updegraff in *The Magazine of Business*; and he further prophesies that "Mr. Hoover will get out and push, where President Coolidge has been content to sit at the wheel and steer."

This plan to "do in some measure for employment what the Federal Reserve system has done for finance"

* *Literary Digest*. 99:5-7. December 8, 1928.

is received, to judge by the news and editorial columns of the press, with varying degrees of enthusiasm, sympathy and skepticism. "The proposal is the most important announcement on wages made in a decade," declares William Green, President of the American Federation of Labor, who characterizes it as "the first definite movement to systematize wages and employment." "It should usher in a new era for the workers of this country," says James O'Connell, President of the metal trades department of the Federation. And in a Consolidated Press dispatch from New Orleans, where the Federation has just held its convention, Chester M. Wright reports that "labor is jubilant, because leaders generally believe that the next President has found, in his own way, a remedy for unemployment which, at least in its philosophy and its ground work, is identical with that of labor." In commendatory editorials we find such phrases as "prosperity insurance," "prosperity reserve," "an economic gyroscope," "a plan to keep the dinner-pail always full," "a pact to outlaw depression, as the Kellogg pact would outlaw war," and "an essentially sound idea." In other editorials, however, it evokes such ironic or critical characterizations as "an effort to outlaw the law of supply and demand," "a chimerical idea tinged with Socialism," "at best a makeshift" and "paternalistic"; and even the enthusiastically friendly *Philadelphia Evening Public Ledger* fears that in trying to put his scheme into effect, Mr. Hoover will find "all the weight of political inertia against him." On the other hand, W. W. Jermane, Washington correspondent of the *Seattle Times*, predicts that "he is going to have a lot of support in Congress for his plan to keep the wage pot boiling."

This Hoover plan for a gigantic nation-wide construction reserve to be held for use in times of unemployment and overproduction was announced to the public on November 21 by Gov. Ralph O. Brewster of Maine, in

an address to the Conference of Governors in New Orleans. On the same day Governor Brewster laid the proposal before the American Federation of Labor, then in convention in that city. While the principle involved is not new, having been discust for years by economists, including Mr. Hoover himself, and tried in a small way in various communities, the fact that a President-elect advocates its application upon such a sweeping scale gives it the effect of sensational novelty. As outlined by Governor Brewster at Mr. Hoover's request, the scheme calls for a new Federal fact-finding agency which, through new indices, would reveal the coming of unemployment, so that public moneys, appropriated by Congress and the states in advance, might be released for public works in time to prevent its arrival. To quote the Governor's address in part:

In Egypt people suffered when there was a famine. In America people suffer when there is a glut. What is called over-production fills our storehouses, and factories close down. Men walk the streets and starve, not because there is too little, but because there seems to be too much.

The inability of men to find work at times has meant a decline of \$5,000,000,000 in the capacity of the American people to buy. No one wants this. Factories want work, laborers desire employment, merchants wish to clear their shelves. Meanwhile the vicious cycle is increased in its downward plunge by the lack of purchasing power of the ever-broadening groups who find themselves without opportunity for employment of any kind.

With their pockets bare they enter upon a starvation existence that very greatly prolongs the period within which the surplus materials may be consumed and the wheels of industry again begin to whirl. With an annual expenditure of \$7,000,000,000 upon construction, however, America is in a position to stabilize prosperity to a most remarkable extent. In some measure it is possible to do for unemployment what the Federal Reserve system has done for finance, and with equal advantage to the country as a whole.

No centralization of authority is proposed, but merely the creation of a condition by concerted action. Follow the flow of these billions to the contractor, the laborer, to the material men, to the factory, to the factory employees, to the merchants, to the farmer.

Organization for prosperity is the next lesson that America may teach the nations of the world.

Asked by John J. Leary, Jr., a correspondent of the *New York World*, how Mr. Hoover proposes to make his plan effective, Governor Brewster replied:

Through the development of competent fact-finding agencies that will substitute accuracy for guesswork as to the state and prospects of the nation's business, to the end that the federal and state governments may be in a position to release funds for public works when it becomes evident that without such release depression and unemployment appear likely.

With the facts in hand, the expenditure of comparatively few millions in useful work may easily head off a depression that would cost a billion.

It will, of course, require legislation by Congress and by the several states. And the thing cannot be made effective overnight or in a few months. It will be necessary for the governors and legislators to make such recommendations and laws as they may deem necessary. It will be necessary to educate the public.

Two states have programs in accord with that in contemplation. They are Pennsylvania and California.

Since then a similar bill has been filed in the Massachusetts Legislature; and in a Washington dispatch to the *Seattle Times*, W. W. Jermane notes that Senator Jones, of Washington, now has a bill before the Senate, a bill to stabilize industry and employment.

"Here is evidence that our next President will not passively accept conditions long deplored, merely because they have long existed," notes the *Chicago Evening Post*. "The Hoover plan is a step in the right direction," says the *St. Louis Star*. "It is a logical development of modern economic thought," affirms the *Philadelphia Record*, which goes on to say:

Until within recent years the universal belief was that prosperity and depression alternated in waves or cycles completely beyond human control. But that theory has been discarded. Industrial and business leaders now conceive of prosperity as something that can be regulated and stabilized.

Perhaps the problem of flood-control engineering furnishes an analogy. In its natural state, a great river is subject to such fluctuations that it is alternately helpful and destructive; but by the construction of dams and hydroelectric plants it is possible not only to prevent devastating floods, but also to provide a

continuous flow of power. And application of the same principle, it is urged, would spread prosperity evenly over the years, averting both inflation and depression.

While the proposal is complex in detail, the principle is simple enough. Joseph made it work in the matter of Egypt's food supply several thousand years ago. Why shouldn't our highly organized society make it work now in industry?

What Mr. Hoover proposes, explains the New York *Herald Tribune*, "is not that public money should be spent which otherwise would not have to be spent, but that such spending of public moneys as can be deferred or anticipated should be undertaken in periods of business contraction, rather than in periods of business expansion." And the Newark *Evening News* reminds us that "the trend of private industry in recent years has been toward a regulation of the flow of employment." To quote this Newark daily further:

Private industry has tried to do away with seasonal employment and to reduce the turnover of labor. It has sought to find new employment for those who have been thrown out of their old employments by the increased use of machinery. Experienced by these efforts, it should be ready to take advantage of any benefit there may be in the Hoover program.

Whether the plan is as practical as it is ideal can only be shown by its application. It seems as if it would necessitate vast machinery to coordinate the plans of federal, state and municipal authorities and to harmonize them with the activities of private industry, particularly that of the building trades. A danger may be scented that it will result in the establishment of another great bureaucracy with powers private industry may find oppressive.

Carried to its logical conclusion, the program puts the Government into industry as a regulator of the flow of employment. To make the program thoroughly effective, almost arbitrary power would be needed.

This leads us to the comment of those papers which regard the scheme with skepticism or disapproval. "It is impractical, even if the forty-eight states could be prevailed upon to agree on anything at any time," declares the Richmond *Times-Dispatch*. "At best it is a make-shift," the St. Louis *Post-Dispatch* remarks. And it adds: "While it would offer relief, it would not touch the

underlying causes of the slackening of industry and commerce. It is not a fundamental remedy, but merely a temporary relief device." Moreover, says this Missouri daily:

The scheme is paternalistic in its nature. Its tendency would be to foster dependence upon the Government to supplement independent and individual activities. What would be the effect upon both industry and wage-earners if, whenever there was a slackening of independent effort, the Government came to the rescue with public funds and public work? How long would it be before the Government would be looked upon as the benevolent father of industry and industrial workers, to be called upon whenever the industrial system fell into distress?

How heavy in the long run would the burden be upon the people who pay the taxes?

The New Haven *Register* declares:

It is a chimerical idea, tinged with Socialism and full of things that would tend to weaken it in the hands of the very practical politicians who would be called upon to act under it.

And in the *Columbia Record*, which refers to it ironically as "this highly pleasing plan for outlawing supply and demand," we read:

While we are not from Missouri, we must be shown where the coal to keep this great fire blazing is coming from. From a federal standpoint, it would seem there is ample demand for all the loose change resulting from taxes. The prohibition kitty is always mewling for more; flood-control programs are always hungry; war debts are something else, or!

State and municipal governments have about as much surplus cash as a graveyard rabbit, and individually speaking, about the only man we know who doesn't care whether school keeps or not is Henry Ford, and he finds it convenient to keep the lid on his strong box most of the time.

Year in and year out, for the last quarter of a century, our cotton-growers have met annually and enthusiastically signed up to reduce acreage. The succeeding fall has always automatically shunted into the picture thousands of bootleg cotton-growers, and the annual supply of cotton thrown on the market broke all previous production records.

We are poignantly pained to conclude that we can offer no constructive program whereby the poorhouse might be kicked out of the picture and everybody might be placed in a palace at the head of Easy Street by rule, but as yet no wizard has come along to perform that delightful miracle. Until he does,

we can see no end of the road and no machine ready to assume the white man's burden as he struggles toward the stars.

While the Hoover plan "doubtless would help a little, it can hardly be regarded as a promising cure for the unemployment," thinks the Columbus *Ohio State Journal*, which explains the faintness of its faith as follows:

Thousands of coal miners and textile workers have been idle lately. Trained only in certain sorts of labor, they would hardly be fitted for such work as the Government or the state might provide. Moreover, for the Government to provide work merely for the sake of providing it would hardly be a sound economic policy. It would be the principle of the dole, somewhat modified. Doles may be necessary in great emergencies, but they lead to trouble.

Mr. Hoover's suggestion, of course, contemplates a step toward State Socialism, of which we heard so much in the course of the campaign. It involves the conscription of wealth in advance of the actual needs of government, in order to have it ready for distribution. However, we do not object to it on that account, if it will do any good to those who need help. The words State Socialism strike terror to the hearts of the conservatives and yet, when they see any advantage to themselves, they are ready enough to advocate another federal bureau and another appropriation. If the burden of unemployment can be lightened by direct government action we are for such action, but we do not bank very heavily on it.

But it is gratifying to find the President-elect giving attention to this great and puzzling problem of enforced idleness.

PLAN TO RELIEVE UNEMPLOYMENT BY COORDINATING PUBLIC WORKS⁴

Creation of a legislative committee, "to coordinate the plans for public work in the state in such a way as to secure thereby the widest possible relief for prevailing unemployment" was proposed in a joint resolution introduced in the New York legislature by Assemblyman Benjamin Antin on February 7, 1921. A somewhat similar effort in reference to national expenditures for public works was made by Senator Kenyon in Congress.

Although put forward as an emergency measure,

⁴ *American Labor Legislation Review*. 11:173. June 1921.

requiring prompt action to be of service in the existing industrial depression and calling for an appropriation of only \$2,500, nevertheless the Antin resolution was interred in committee for the reason that "the budget must be gone over"—a familiar plea by the present reactionary leadership that has been undermining legislative protections for labor on grounds of false "economy." The Kenyon resolution met a like fate.

The proposed New York committee was to consist of three members of the assembly to be appointed by the speaker, and two members of the senate to be appointed by the president of the senate. The committee was to investigate public works now under way or planned by the state, city, school districts and other municipal corporations and report to the legislature with recommendations as to the fair distribution of public works, so as to secure the greatest benefit from the expenditure of public or private funds. The resolution directs various state officers responsible for construction projects to furnish information to the committee to the end that a statewide project may be worked out that will improve conditions without repeating the mistakes of past times of unemployment when, as Mr. Antin pointed out, relief work hurriedly conceived and equally hurriedly carried out has resulted in a minimum benefit to the unemployed and a maximum waste of money.

It is regarded as sound governmental policy to prosecute public works during periods when labor and material are not fully absorbed by private industry and are therefore in plentiful supply.

The resolution states:

There is a large amount of public work under way or planned by the state itself and by the municipalities thereof, which if vigorously pushed and properly apportioned among the districts of the state, would greatly lessen the amount of unemployment.

The immediate prosecution of such public works will give employment to large numbers of persons now seeking employment, not only directly on public works, but indirectly upon the manufacture of the materials required.

The proposals advanced in both resolutions are in line with the following principle of emergency unemployment relief through the proper stimulation of public works, set forth in 1915 by the Association for Labor Legislation in its *Practical Program for the Prevention of Unemployment*:

In communities which have not yet developed such a program, or in times of special emergency, it is a much wiser policy to start large projects for public works than to support the unemployed through private charity or public relief. This should not be "relief work" or "made work" simply to keep idle hands busy, but should be necessary public work which would have been undertaken normally in the course of time, but which can be concentrated in the time of emergency.

PRINCIPLE OF PUBLIC WORKS PLANNING TO STABILIZE EMPLOYMENT IS STILL UP TO CONGRESS⁵

Efforts were made during the session of Congress which ended July 3 to incorporate in the public buildings bill the principle of long-range planning of public works as an aid in stabilizing employment. These efforts were made by a representative group including the American Engineering Council, the American Institute of Architects, the Associated General Contractors and the American Association for Labor Legislation.

The bill, which was introduced in the House of Representatives in December, 1925, authorized the appropriation of \$150,000,000 for the construction of public buildings at the rate of \$25,000,000 per year for the next six years. It stirred up a great deal of opposition at the start because it took away from Congress and gave to the Secretary of the Treasury powers which Congress had always jealously guarded. Sponsors of the bill were

⁵ By Otto T. Mallery. *American Labor Legislation Review*. 16:237-8. September 1926. Mr. Mallery is chairman of the special Committee on Public Works of the American Association for Labor Legislation, and is author of the noteworthy chapter on the long-range planning of public works in *Business Cycles and Unemployment*.—Editor, *American Labor Legislation Review*.

much concerned because of this opposition. Our group asked for a hearing before the House Committee on Public Buildings to present reasons for constructing more than one-sixth of the six year total in years when private building declined. Congressman Richard N. Elliott of Indiana, chairman of the committee, opposed the hearing and the matter was not brought officially before the House committee.

After the bill passed the House, Senator George Wharton Pepper of Pennsylvania, at our request, agreed to present the following amendment in the Senate:

The Secretary of the Treasury shall take into consideration the stabilizing effect governmental construction policy may exert upon general employment and industrial activity and shall report to Congress with recommendations whenever the volume of construction in the United States during any period falls one-third below the volume of the corresponding period of nineteen twenty-five.

BRIEF EXCERPTS

"Local and state governments can do their share by making this period of slack employment the time for undertaking public work, which, lacking this incentive, might be conveniently delayed to a later date. It is peculiarly a time for the exercise of the common virtues—frugality, the will to work, and the will to give the man out of work a chance."—*Literary Digest*. 68:15. January 29, 1921.

The opening address [President's Conference on Unemployment] was made by President Harding, who said in part: "There ought to be work for everybody in the United States who chooses to work, and our condition at home and our place in the world depends on everybody going to work and pursuing it with that patriotism and devotion which makes for a fortunate and happy people."—*Monthly Labor Review*. 13:1070-1. November 1921.

France.—Short time is common in textile, metal and other factories. Local funds are being created and local public works promoted for the relief of unemployment.

Italy.—The expedients most generally adopted are short time and public works.

Belgium.—With a view to providing employment in Belgium, extensive programs of public works have been prepared not only for the home country but also for the Congo Colony.—*Monthly Labor Review*. 13:872. October 1921.

The New York *World* says:

"Let Congress come back on to its job and slash the Government's costs and cut down the war taxes all around, as it promised to do. That is the first and fundamental thing to be done in cure of unemployment, and no conferences are needed to talk further about it. Industrial recovery will not begin until the country has liquidated, and the country will not have liquidated until the Government has liquidated."—*Literary Digest*. 70:11. September 10, 1921.

Dr. Sumner H. Slichter, professor of economics at Cornell University, challenged the allegation that overproduction is the cause of unemployment. Instead, he said, there is too much hoarding instead of consumption. Labor unions should be continually called into conference by leaders of industries for information regarding business conditions and should discourage excessive accumulation of inventories. Public works should be planned so that such work could be done in times of other business depression.—*American Machinist*. 67:334a. August 25, 1927.

In construction programs, New York comes first with an estimated cost of \$19,000,000 for the contemplated buildings; Ohio next with \$11,000,000

and Utah with \$10,500,000. In road work, Minnesota leads with a constitutional amendment, providing for a bond issue of \$100,000,000 to build hard-surfaced roads; other states also have large projects of this kind, though it is not clear over what period they are to be distributed—Illinois, \$60,000,000; Oklahoma, \$50,000,000; Kansas, \$30,000,000, and four other states over \$10,000,000 each.—*Survey*. 42:378. May 31, 1919.

In the second general report of the Mayor's Committee on Unemployment in New York city Henry Bruère (who, as chamberlain in the Mitchel administration, had taken the initiative in getting such a committee set to work) stated a fact prophetic of the situation today: "Always industrial crises find American communities unprepared to deal with crucial social problems which they develop." But it is thanks to the foresight of that committee and other similar bodies that this statement is perhaps not quite so true now as it was then.—*B. Lasker*. *Survey* 45: suppl. 3. February 5, 1921.

The patient would seem to be on the way to recovery partly at least as the result of the conference cure. But how about keeping him healthy in the future? Officials of the Department of Labor have assured a New York *Evening Post* correspondent that "enough momentum has been secured by the conference to warrant the idea that no other future emergency will find the nation quite so lamentably unprepared to cope intelligently with unemployment as it was a month ago." In its permanent program there is no "magic formula," but, observes the *Omaha Bee*, "some sane and worth-while methods for relieving the present situation are offered."—*Literary Digest*. 71: 15. October 29, 1921.

The first object of any serious effort to mitigate the effects of unemployment from trade depressions and to

prevent the recurrence of such an emergency must, therefore, be in the direction of combating the underlying business fluctuations and of attempting to steady trade and enterprise as a whole. At a time of abnormal unemployment, there should be in the business world the will and the knowledge of ways to increase activity at every point, and, on the part of consumers generally and of the public authorities, efforts to keep active the demand for the products of labor.—*B. Lasker, editor. Report of the Mayor's Committee on Unemployment in New York City. Survey. 45:supl. 4. February 5, 1921.*

Definite conclusions as to the proper measures for combatting unemployment were forthcoming out of the experiences of 66 cities. Of these, 23 laid stress upon expansion of public works as the most successful measure within their experience; 16 emphasized temporary jobs and the giving of material relief, where necessary, only when earned; 15 regarded proper community organization, including "Mayors'" committees as a prime necessity; 14 were especially aided by the efforts of employers to provide part time employment by means of the short day, short week and the "making to stock"; and 8 secured notably good results through public employment bureaus.—*American Labor Legislation Review. 11:194. September 1921.*

In 173 cities covered by the reports of the United States Employment Service for January and September, 1921, the number of unemployed increased 19 per cent between those two dates. Other indications were that in the mining industry from 1920 to August, 1921, the decrease in employment was 23 per cent, representing a total of 863,000 men; and on the steam railroads of the country the decrease had been 21.2 per cent, amounting to 445,000 men thrown out of work. The Economic Advisory Committee of the President's Conference stated

that "the figures indicate a more serious situation for the coming winter than existed in 1907—08 or in 1914—15."—*Arthur Woods. North American Review. 215:449. April 1922.*

The Industrial Commission also recommended that this board of managers in charge of the state employment exchanges should be required by law to make all possible efforts to persuade the great employers of labor, including corporations, county, city and state governments and the federal government, to adjust their contracts and schemes of public work so as to avoid unemployment in the future, as far as possible.

This idea of course was not new, but the creation of an organ for making it effective seems to be somewhat novel. It would make it the definite duty of a public body to make an honest attempt to provide employment on a very large scale, not merely to mitigate suffering, but actually to prevent unemployment.—*C. R. Henderson. American Journal of Sociology. 20:724. May 1915.*

A New York *Herald* correspondent at Washington writes:

"In the West the Federal and State governments are cooperating in pushing reclamation work. With authority from Congress these jobs can be made to care for 40,000 unemployed, according to the findings of the conference. At the Capital today several Senators and Representatives stood ready, they said, to introduce measures authorizing the Federal Government to undertake this work.

Road-building totaling millions is being contracted for in many states, especially in the South, where such work can proceed all winter. Contractors from all sections of the country are sending bids to the Carolinas, two states leading in the work.—*Literary Digest. 71:15. October 29, 1921.*

Let it not be overlooked that every man thus given a job automatically creates a job for at least two more men. Work begets work. The wages that are paid to the construction worker quickly are passed along to the textile worker, the food producer, the moving picture actor, etc. Yes, we include the "movie man," the producer of pleasure—and why not? Why do we work but to add to our luxuries? There are many men of such myopic vision as to things economic that they see no useful work save that that adds "necessities." Heaven help their shortness of sight! It is more than 120 years since Americans ceased working merely for necessities. In *Engineering and Contracting* of August 3 it was shown that the buying power of the average worker is five times as great today as in the year 1800. But in the year 1800 our forebears were not without the "necessities." They had their log houses, their homespun clothes, their "three squares," and—precious little else.—*Engineering and Contracting*. 56:225. September 7, 1921.

Ohio cities seem to have been especially active. Canton has under way nearly \$1,000,000 worth of paving, water works and sewer construction; Columbus is making a city-wide survey with a view to arranging for as much work as possible during the winter, this including laying sewers and water mains with a complete overturn of workers every week or two. In Marion, Ohio, Mayor Andrews is making street repairs in small units so that they will not have to be advertised and is thus keeping busy most of those who would otherwise be unemployed. In Ironton, Ohio, city improvements are taking care of most of the unemployed, which number about 30 per cent of the local labor. Akron is building upwards of 75 miles of street improvements and will lay 14 miles of water mains, bread winners of families being given preference. Mayor Scott of Newark, Ohio, has announced that that city plans to give employment to 200 or more on city

improvements. In Middletown, Ohio, the Chamber of Commerce and the city government are doing their best to rush public work, on which employment will be given to permanent residents of the city.—*Public Works*. 51: 299. *October 15, 1921.*

Following is a portion of the recommendations of the American Association for Labor Legislation:

Start or push forward special public work, using private contributions in time of urgent need if public funds cannot be obtained. This should not be "made" or unnecessary work, but needed public improvements in as great variety as possible, so as to furnish employment to other sorts of persons besides unskilled laborers. Give preference to resident heads of families if there is not work enough for all applicants. Employ for the usual hours and wages, but rotate employment by periods of not less than three days. Supervise the work carefully and insist upon reasonable standards of efficiency. To avoid the difficulties of emergency action make systematic plans for the regular concentration of public work in dull years and seasons by special provisions in the tax levy or by other appropriate method. Urge the repeal of laws restricting cities to contract work. Secure the aid of state and national officials in stimulating local action. Steady the employment of the regular force, retaining employes on part time in preference to reducing their numbers.—*Survey*. 45:609. *January 22, 1921.*

The *Portland Oregon Journal* explains:

"This is a situation in which everyone in the country is directly concerned. Selfish men may assume that unemployment is nothing to them, but they are grievously mistaken.

"Employment means buying power, buying power means consumption, consumption means production, and production in turn means employment. Employment is

the starting point in the everlasting circle that makes prosperity.

"One unemployed man means one less buyer. What do 5,735,000 unemployed men mean to the men who have goods on their shelves; mean to the owners and employees in plants that manufacture the goods for those shelves; mean to the men who supply the raw materials; to the manufacturing plants, and so on through the fundamental processes by which prosperity is maintained?

"Other disastrous effects follow in the wake of unemployment. Unemployment fans the flame of radicalism. It fills the mouth of the agitator and demagog with effective arguments. It sows the seeds of discontent. It undermines citizenship."—*Literary Digest*. 70:9-10. *September 10, 1921.*

This view of the vastness and difficulty of the problem was confirmed by the Mayor, who in explaining his rejection of one request of the commission (that for increase of public municipal works), said that the city itself did not have money enough to give employment to the throng of the unemployed; that it was too poor to keep people from starving by giving them work and paying them out of the public funds.

No more striking confirmation of the conclusions of the Industrial Commission could have been made. This commission has honestly declared its belief that the problem is too great for private charity. The Mayor now declares that it is too great for the resources of the second city of wealth and power of the richest country on earth—and in time of peace with us.

Evidently the next resource must be the state. But already instructed public opinion accepts the view that not even the commonwealth is competent to cope with the miseries caused by interstate and even international conditions of trade, transportation and commerce. It seems reasonable to hope that this intense suffering has at

last aroused the business world to a serious effort to grapple with evil in some thorough and earnest fashion.—*C. R. Henderson. American Journal of Sociology. 20:725. May 1915.*

Perhaps some progress has been made in lessening the swing of the industrial cycle, but we are apparently now getting another form of unemployment growing out of rapid introduction of labor-saving machinery, technical improvements in production and falling prices.

Statements are frequently made that many of the displaced factory workers have been reabsorbed into other lines—such as retailing, automobile repair work, taxi driving and what not. The Labor Bureau's estimate of 4,000,000 unemployed, however, does make allowance for some shifting in employment and for expansion of the professions. It is not likely that complete reabsorption has by any means taken place.

The increasing displacement of workers by machines adds to the need for a remedy for unemployment. The seriousness of this new factor has been stressed in annual reports by Secretary of Labor Davis. The duty to stabilize employment is forcibly indicated by Secretary of Commerce Hoover, who says: "There is, to my mind, no economic failure so terrible in its import as that of a country possessing a surplus of every necessity of life with numbers, willing and anxious to work, deprived of those necessities. It simply cannot be if our moral and economic system is to survive."—*John B. Andrews. American Labor Legislation Review. 18:69. March 1928.*

In this land of plenty, society cannot dodge the responsibility for relief to those who are in need as a result of involuntary idleness. Soup kitchens are preferable to starvation; but what the man worthy of relief really wants is not charity but self-respecting work.

The city that supports able-bodied men in idleness is losing the things these men might produce.

Does any city exist which has everything it needs in housing facilities, paved streets, water supply, sewers, fire stations and apparatus, street lighting, parks and playgrounds? Stimulate such activities to the utmost through private initiative or public action, and you will go far toward solving the problem of the man out of a job; you will not only furnish work for many of your own citizens, but will help speed up the wheels of industry throughout America.

Short-sighted in the extreme would be a policy of retrenchment in expenditures for needed public works at this time. Real economy and humanity both demand that the unemployed be given work.

It is within the power of your local leadership to speed the transformation of stagnation into prosperity for merchants and manufacturers; the transformation of despair into hope for the unemployed; the transformation of a city which is waiting for something to happen into one that is *causing* things to happen.—*American City*. 25:279. *October* 1921.

Signs of a downward trend of employment have been multiplying during recent months.

The Labor Bureau, Inc., estimates that 4,000,000 workers are at present out of work.

The United States Bureau of Labor Statistics shows that for the country at large in 1927 employment in manufacturing dropped to a point lower than for any year since 1914 except 1921, a year of acute depression, and 10 per cent lower than in 1923.

Figures of the Federal Reserve Board indicate a drop of 3.4 per cent in manufacturing employment during the year 1927.

The National Industrial Conference Board reports a similar downward trend of employment in twenty-five industries throughout 1927.

The American Federation of Labor on February 26 reported that increased unemployment is shown by

statistics from local unions in leading industrial cities. It states that "the average unemployment in these twenty-three cities is over one-sixth of the workers represented by these unions."

The Metropolitan Life Insurance Company has found that in three hundred American manufacturing establishments fewer employees voluntarily quit their jobs during the past year than during the worst periods even of the depression of 1924 and of 1921.

From the New York investment banker, S. W. Straus, comes the information that employment in the building crafts at the end of 1927 was about 12 per cent less than that prevailing at the close of 1926.

In a report to the Governor, February 19, the New York State Industrial Commissioner, as a result of a special survey, states that unemployment is extensive and that it has already resulted in serious distress. "One has to go back to 1921," he declared, "to find an employment situation rivaling the present."

In New York City, according to official state statistics, the volume of employment in manufacturing dropped to a lower point in 1927 than in the previous low years of 1914, 1921 and 1924.

Similar evidence is found in Help Wanted advertisements, which are regarded as a significant gauge of employment conditions. The New York *World* carries more advertising of this nature by far than all other newspapers in the city.

This fact supplements the data on decreasing employment in manufacturing and construction, since Help Wanted ads deal also with domestic and clerical or "white collar" workers. The New York Reserve Bank reports that wholesale trade was 5 per cent less in volume for December than a year before, employment 7 per cent lower.—*John B. Andrews. American Labor Legislation Review. 18:65-7. March 1928.*

The federal highway act, passed by Congress on November 3, makes available \$75,000,000, which is to be matched by a similar amount from the states. By November 15 the governors of 30 states had reported to us that within 90 days they can start 6,261 miles of highway which will directly employ more than 150,000 men. How these undertakings will affect the general condition of unemployment can be estimated from replies received from the governors. Texas can employ 13,500 workers on an \$8,000,000 road-building job covering 700 miles within the 90 days required. Georgia can provide 9,000 men with jobs on a \$5,000,000 undertaking covering 360 miles of road. Indiana can use 5,800 men; Michigan, 5,600; Ohio, 5,300; North Carolina, 5,000; Minnesota, 4,350; Louisiana, North Dakota, South Dakota and Mississippi, 4,000 each.

Municipal bond sales for public works since the call for the conference was issued have broken all records. Over \$60,000,000 in these bonds have been recently sold in 13 states, and more than \$34,000,000 have now been offered for sale. Besides, \$10,000,000 in state bonds have been sold and an equal amount are offered for sale. The totals for 13 states of municipal and township bonds recently sold or offered for sale are:

Illinois	\$2,010,000	\$4,500,000
Connecticut	2,943,000	1,703,000
New Hampshire	345,000	230,000
Michigan	11,277,500	1,622,500
Wisconsin	8,671,000	581,000
Ohio	9,999,700	1,458,000
Rhode Island	200,000	290,000
Pennsylvania	4,800,000	16,179,500
New York	3,667,370	2,024,626
Minnesota	4,362,000	2,853,764
New Jersey	8,028,800	448,500
Massachusetts	2,581,500	1,035,000
Indiana	2,004,600	1,780,575

Totals for these states amounted to \$60,890,970 in municipal and township bond sales and \$34,706,465 in additional bonds offered. The sales and offerings of bonds of the states of Illinois, Connecticut and Massachusetts are not included in these totals for municipalities and townships. The total amount of municipal bonds for public works issued was \$113,787,230 for 415 municipalities.

The conference resolution on reclamation projects has resulted in the introduction of a bill carrying an appropriation of \$20,000,000 to the reclamation fund for continuance of projects now under way. The prompt passage of this bill will give employment to more than 32,000 men.

The direct employment in all these instances represents only a part of the stimulus given to industry generally. Public works involve the use of many sorts of materials. The wages received will be spent on products which give business to retailer, wholesaler and manufacturer. Back of these again are the resultant orders on producers of raw materials. Authorities now state that the general principle is established that if, over a period of 10 prosperous years, 20 per cent of ordinary public works were deferred and the remaining 80 per cent executed as usual, the lifting power of public works would be one-third the dead weight of such a depression as the present.

Senator Kenyon's bill, introduced on November 21, providing for long-range planning of public works, is a very important result of the conference. The preamble states that a sound economic policy requires that a larger percentage of public-works projects of the United States be undertaken and carried to completion during periods of depression, when labor and capital are not fully employed in private industry, and, on the other hand, that a smaller percentage of such projects should be undertaken when private industry is active.—*Edward Eyre Hunt. Survey. 47:428. December 17, 1921.*

AFFIRMATIVE DISCUSSION

STABILIZING DEMAND FOR LABOR¹

We are all familiar with the story of the thriftless Negro who could not mend his leaking roof so long as it rained and saw no need of mending it after the rain had ceased. We smile indulgently at this improvidence. Yet in our national attitude towards unemployment we adopt a similar attitude and run into the same lazy dilemma. We cannot solve the problem of unemployment during periods of actual depression, when hungry men tramp the streets in search of jobs; on the other hand, when, as today, the job is looking for the man, the whole problem of unemployment seems unreal. In summer we do not remember that we shall need coal next winter, nor in winter that we shall want ice in summer. The world would be revolutionized if men could think six months ahead.

Fortunately we need no longer argue that unemployment is no concern of the nation. Ten years, even two years ago, we should have had to meet the contention that employment and unemployment were the private affair of capitalist and wage-earner. In this land of unbounded opportunities any industrious man, it was claimed, could always find a job, and all were more likely to find jobs if the matter were left to private initiative.

Private initiative! How hollow the words now sound and how apologetic is the once confident dogmatism of the theory. The war has forever exploded the myth that all we have to do is to leave things alone. In America, as in England, France and Germany, the war

¹ *New Republic*. 16:125-7. August 31, 1918.

has forced men to turn over to the state the chief means of production and to regulate monopolies, prices, wages and labor conditions. *Laissez-faire* has been adjourned for the duration of the war. We have entered upon the stage of state-capitalism in which all our main economic activities are subordinated to the public interest.

In the matter of the organization, control and protection of labor this intervention of the state has gone furthest. The government drafts millions of men; it exempts other millions on condition that they employ themselves in certain industries instead of in certain others; it takes over the railroads and the telegraph and express companies, and it launches into huge new businesses like that of shipbuilding, thus directly employing many millions of workers. The state regulates the wages, the hours of labor and the working conditions of men engaged in private industries ministering to war needs. It takes charge, it assumes responsibility.

For the time being this responsibility of the government does not extend to the finding of work for the unemployed, for that group has disappeared; the difficulty is rather to find men to do the work required. There is a severe labor shortage, and men once considered unemployable, and women who were formerly exempt from wage service, are now enlisted in the army of wage-earners. The government takes over the placing of unskilled workers, not to find jobs but to find men. In the long run, however, as has always happened in the past, these conditions will be reversed, and the nation will be faced with an enormous over-supply of labor, which the national business, if organized in the old way, will be unable to absorb. The government, having accepted responsibility for this huge recruiting of wage-earners, will face a pressing and threatening unemployment crisis.

This problem is practically unavoidable, since it is inherent in the situation. When the war ends some three

to five million men, in productive ages, will be poured rapidly or slowly into the labor market. These men must find remunerative jobs. The demand for workers in the war industries will rapidly diminish. After the peace we shall not need to manufacture shells, cannon, rifles, aeroplanes, army uniforms, tents and poison gas at the same rate as today. Even in the manufacture of merchant ships there will be retrenchment or at least a preparation for retrenchment. The demand for food, coal, copper, cotton and other staples may be as great as ever, but in innumerable industries, including those which are today considered non-essential, recovery will be far from immediate. The soldiers and the men discharged from war industries will not find waiting jobs to which to return. Formerly unskilled workers and women of all degrees of skill and strength have entered into new industrial occupations, and it will be difficult, if not impossible, to displace them, and even if they were displaced the burden of unemployment would be only shifted, not lifted. An iron-molder with ten years' experience before the war will have to compete for his former position with a handyman who has been promoted and trained, and the former street railway conductors, who have been drafted into the army, will find women on the rear platform. Even if heavy calls are made upon American industry to help restore a devastated Europe the problem of establishing a balance between an altered, and perhaps a shrunken demand for labor and a largely increased labor supply will be far from easy. It cannot be solved at all without changing the fundamental conditions of American industry, as they existed until the year 1917.

For we are faced not only with a new peace crisis of unemployment but also with the old, recurrent, chronic, cyclical unemployment. The conditions of acute unemployment, such as existed in 1908 and again in 1914 and 1915 are, unless foresight is exercised, likely

to re-occur in 1920, 1921 or 1922. There are always men who wish to work and cannot, but while the number of our unemployed falls to as low as one million in good years it rises in bad years to as high as six millions. Moreover, there are seasons of unemployment (especially during the winter months) though these, since they can usually be tided over, are far less serious than is unemployment which comes in larger cycles. Periods of depression and unemployment invariably follow periods of keen demand for labor, and the more rapidly new workers have been drafted into industry the more widespread is the unemployment in the bad times that follow. Where a complete change in industry must be made, as after a great war, the unemployment is likely to be more widespread and devastating than in more normal times.

After the Civil War we met a somewhat similar difficulty, though on a much smaller scale, with great success. In 1866 a depression set in, following upon an expansion during the war, but by 1868, business had recovered and by 1870 things were booming. There were several favorable factors tending to prevent a widespread unemployment. The discharged soldiers were absorbed by a stupendously rapid growth in industrialism and by an equally rapid settlement of western territories. Today, however, there remain no great tracts of free lands to absorb an extra labor supply, although there are still chances for additional employment upon American farms. The problem that we face is of course not one of a permanent inability to employ American labor. Our manufacturing, our railroad development, our vast commercial growth, will in the end make for the employment of many more millions than will be released from the army and the war industries. The problem is one of *immediate* adjustment. Within a year or less after peace has been declared, we shall have not only to go over from a war to a peace basis of production, but shall be compelled to discharge

and reemploy six, eight, ten or even more millions of men, without causing an unemployment crisis. Clearly this is a task not for private initiative by business men, but for the government in behalf of the whole nation.

Hitherto little has been done to meet this forthcoming problem. We have assumed that all would be well, that the work which would have to be done after the war, and which we had hitherto been forced to neglect, would comfortably employ all our workers. In any case there was no hurry; after the war we could comfortably meet all after-the-war problems.

It will then be too late, for the essence of any solution is foresight and prevention. All successful or half-successful efforts to avert unemployment have required time for formulation and preparation. To some extent unemployment can be remedied by a "dove-tailing of seasonal industries"; to a large extent by a regularization of industries. These take time and succeed only if prepared for in times of prosperity. The same is true of the only true preventive of unemployment, the coordination of the labor demand of the whole country by the only authority that can coordinate it; the national government.

Today that opportunity exists as it has never existed before. The government by becoming the direct employer of millions of railroad, ship-building and other workers can so regulate its own industry, can so initiate business, and so place orders that the entire labor force of the nation can be maintained at a fairly stationary level of employment. We can profitably expend billions of dollars upon the improvement of roadbed and rolling stock, upon double tracking, upon electrification, upon the building of highways and canals, upon the erection of houses for government employes and others, upon irrigation, afforestation, upon innumerable other public undertakings. This work will absorb millions of workers. If, as heretofore, we permit this work to be done whenever the happy idea strikes us (which is

usually during periods of prosperity and confidence) unemployment in bad years will not be decreased and may actually be increased. If on the other hand we lay out plans for such work ten years in advance, if we proceed rapidly in periods of unemployment and more slowly in periods of normal business, we may attain a reasonably regular labor supply and demand. When private business is overactive the public demand for labor may be relatively reduced; when private business languishes the excess supply of labor may be taken up by a vast acceleration of government activity. The desirable policy is that of a strategic reserve of labor demand, the demand being thrown into the battle at the moment when the line is the weakest.

The serious study of this problem by the government, the taking of steps by which unemployment is to be averted years hence should be undertaken today, when there is an actual labor shortage. A government bureau or commission might be appointed immediately to study in the most thorough possible manner the allied problems of unemployment and reconstruction. It could profit by the studies of the British and other commissions, could utilize the federal employment agencies and all other sources of information and could formulate a policy that might be studied and adopted months, or even years, in advance of the threatened unemployment. It would not slow the progress of the war and might even hasten that progress. The tentative, sporadic efforts to work out an adequate policy should be coordinated and strengthened, so that the work may be finished in time. When it shall have begun to rain it will be too late to mend the roof.

ABOLISH UNEMPLOYMENT²

The President's Unemployment Conference, a semi-official body, appointed by the President and presided

² By Samuel Gompers. *American Federationist*, 29:13-25. January 1922.

over by the Secretary of Commerce, acted from the first under well-defined limitations. As a result specific unemployment remedies were recommended only for the "emergency program." The recommendation of measures for the "permanent recovery of unemployment" were of a very general character dealing with (1) railways, (2) taxation, (3) the tariff, (4) disarmament, (5) foreign exchange, (6) prices and deflation. One recommendation dealt with seasonal unemployment.

The situation calls for the supplementing of the achievements and efforts of the semi-official conference by unofficial initiative. (1) Such initiative can bring new support for the recommendations of the Presidential Conference. (2) It can apply the principles laid down by the semi-official conference more broadly than could that body, because unofficial opinion is not limited, as the President's Conference was, by the necessity of reaching unanimous decisions involving the assent of extremely conservative elements. (3) Unofficial public initiative can see to it that the value of the scientific method followed by the President's Conference is not lost by the refusal of these conservative interests to apply its principles logically and practically—and on a sufficient scale to bring results in proportion to the magnitude of the problem and in proportion to the numbers of those unemployed because of the present cycle of business depression.

If the Presidential Conference is to count for the largest results it is indispensable to get the public out of the complacent state of mind it created. Unintentionally the conference created the impression that the problem of unemployment was now on the way to rapid solution! Its organizers understand that nothing could more endanger even those limited recommendations reached by agreement. Even to secure public support for these recommendations a continued and renewed public interest is essential.

In the official report of the Conference, its Secretary, Mr. Edward Eyre Hunt, writes:

Senator Kenyon's bill, introduced on November 21, providing for long-range planning of public works, is a very important result of the conference. The preamble states that a sound economic policy requires that a larger percentage of public works projects of the United States be undertaken and carried to completion during the periods of depression, when labor and capital are not fully employed in private industry, and, on the other hand, that a smaller percentage of such projects should be undertaken when private industry is active.

The chief paragraphs of the bill, now unanimously reported for passage by the Senate committee on education and labor, are:

That the Secretary of Commerce shall prepare and publish monthly reports as a supplement to the current survey of business of the Bureau of the Census, or otherwise, concerning the trend of business conditions, the approach of periods of business strain and over-extension, or of periods of business depression, in order that the President, the heads of the executive departments, the Congress, governors of states, and mayors of cities, and persons engaged in private industrial enterprises may properly prepare for and plan against such periods.

That the head of each executive department is authorized upon the advice of the President, to postpone the date of the commencement or retard the prosecution of such portions of the public works and projects within his jurisdiction as may be necessary, in order to prepare for and to prevent a further rise in the cyclical wave of industrial expansion and resulting business strain and overextension and within the appropriations therefor, to enter upon a maximum program of public works and projects as a reparation for and in order to counteract an impending period of industrial depression and unemployment. Where a time limit has been specifically provided within which any such work or project, or any part thereof, is to be commenced or completed, this section shall not be construed to extend or remove such limit.

The Standing Committee appointed by the conference, with Mr. Hoover as Chairman, has further recommended a scientific investigation by the Engineering Societies of cyclical as well as seasonal unemployment.

There is no question that both these measures have the whole-hearted support of organized labor and of all progressive elements.

THE LIMITATIONS OF THE PRESIDENT'S CONFERENCE

The time has come when we must get beyond the limitations of the semi-official conference. The chief of these were:

1. *Against National Expenditure.* However, Secretary Hoover proceeded to indicate that he had especially in mind *one particular form of expenditure*:

In the other countries that have been primarily affected by the war, solution has been had by direct doles to individuals by their Governments.

With this latter point American labor entirely agrees.

In his speech at the close of the conference this was the only form of expenditure to which Secretary Hoover objected:

The plan has been willingly accepted by a large section of the country, and you have erected the machinery to pursue that work, and we will see if we cannot get through this crisis without calling on the funds in the public purse for support and subsistence of our unemployed.

American Labor has neither made any demand for doles nor has it ever called for "funds in the public purse for support and subsistence of our unemployed." It is the belief of American labor that the unemployment question is remediable even under our existing system—and the remedies it has proposed indicate a further belief that unemployment can be prevented without any appeal for "doles."

If there were ever any doubt on this question it is now removed by the new position of British labor. Up to 1921 labor in Great Britain had placed great emphasis on unemployment insurance. It still endorses that principle and demands its extension, but since the presentation of "The Prevention of Unemployment Bill" in February, 1921, it places the *emphasis* entirely on the cure of the unemployment disease *by means of employment*. The *British Trade Union Review* for July declares, "Unemployment insurance is no remedy for the

problem of unemployment." The Trade Union Congress in Cardiff in September declared:

Our whole emphasis is placed upon the provision of work, either of a kind engaged in production of commodities for exchange or directed to ends of social utility.

2. *Against National Legislation.* The Conference did not recommend national legislation requiring *any considerable new expenditure* either in appropriations (to be covered by taxes) or in the *new extension of public credit*—although the principle of the special extension of public credit in hard times for economically justifiable public undertakings was recognized by the conference as a leading remedy for the chief form of unemployment.

On October 13th, the Conference recognized this principle as follows—combining it with proposed financial reserves by privately owned public facilities:

The ebb and flow in the demand for consumable goods may not be subject to direct control; but, on the other hand, it should be possible in some measure to control the expansion of the national plant and equipment. If all branches of our public works and the construction work of our public utilities—the railways, the telephones, etc.—could systematically put aside financial reserves to be provided in times of prosperity for the deliberate purpose of improvement and expansion in times of depressions, we would not only greatly decrease the depth of depressions but we would at the same time diminish the height of booms. *We would in fact abolish acute unemployment and wasteful extravagance.* For a rough calculation indicates that if we maintain a reserve of but 10 per cent of our average annual construction for this purpose we could almost iron out the fluctuations in employment.

Nor is this plan financially impracticable. Under it our plant and equipment would be built in times of lower costs than is now the case when the contractor competes with consumable goods in overbidding for both material and labor. [Our italics—*American Federationist*]

The Conference also recognized the same principles in proposing that public works should be executed more largely in hard times than in good times—as follows:

In a growing country like the United States the aggregate volume of public works of cities, counties, states and of the federal Government is so great that if a larger proportion were

executed in years of depression than in years of active industry a powerful stabilizing influence would be exerted. In the past, however, public works officials have felt poor when business was depressed around them and conversely have often executed their chief undertakings when the contagious enthusiasm of captains of industry and of the general public has hailed a period of prosperity at hand. This tendency, although a natural one for an individual, does not accord with true economy for the city or with a sound national policy.

The economic Advisory Committee of the Conference went farther. Considering an effective remedy for the winter of 1921-22 it declared *not merely for such public works as are covered by existing appropriations but for public works generally*:

The present industrial situation can immediately be improved by the use of such of the following measures as the conference may approve and promote. Your committee is convinced that the expansion of public works during the winter of 1921-22 constitutes one of the most important measures to revive private industry and to check unemployment. We therefore recommend to the conference that methods be formulated and measures pressed for the Advancement and augmentation of public works for the following reasons:

1. The best remedy for unemployment is employment.
2. Direct employment is given by public works.
3. Indirect employment is given in the manufacture of the materials needed.
4. The wages paid by those directly and indirectly employed create a demand for other commodities which require the employment of new groups to produce. Thus public works assist in reviving industry in general.

It is obvious, and it needs no argument to prove, the proposition that the efficacy of this remedy depends not only upon the time when it is applied but upon the amount of public work undertaken. If the principle is sound why not expenditures on public works *not covered by existing appropriations*? Are there no worthy and economically sound public undertakings not yet provided? What about land reclamation, water-power, conservation, roads, waterways, canals and harbors? What of the use of federal credit for housing and for new railroad outlays?

But before pursuing the public works remedy for unemployment further, let us mention the third limitation of the Presidential Conference.

3. *The Personnel of the Conference Called for Unanimous Decisions.* The invitations to the President's Conference were issued not in proportion to numerical importance among the American people of the elements represented (for example, farmers, labor, etc.) but, to quote Secretary Hoover, the conference was composed of "men representative of all sections, predominantly those who can influence the action of employing forces and who can influence public opinion with a view to proper determination of the facts and needs of the unemployment situation," or to quote President Harding, of men who "would be helpful in making a success of such a Conference."

Let the President of the American Federation of Labor tell some of the consequences. (See *American Federationist*, November, 1921):

The National Conference on Unemployment fully justified one general expectation—it did not solve the problem of unemployment.

It is no violation of confidence to say that in the meetings of committees of the conference representatives of organized greed and reaction fought bitterly and stubbornly against any progressive recommendation and made almost superhuman effort to turn the tide of the conference in favor of measures that would have further enriched the beneficiaries of special privilege and that would have further intensified the suffering of the working people.

That these conflicts of opinion in committee did not destroy the entire work of the conference was due solely to the very wise provision that only those committee reports upon which there was unanimous opinion should come before the general sessions of the conference. The objections of those who tried to see the justice of the situation were sufficient, therefore, to prevent reactionary proposals from becoming the recommendation of the conference. Nothing that was out of harmony with a constructive viewpoint could become the recommendation of the conference to be translated into action. For that reason, it is well that the conference was held. For that reason, and for that reason alone, there is a record of actual achievement as a result of the conference. It was impossible to secure the consent of all the members of any committee to any reactionary proposal.

The result was that the remedy most strongly opposed by the "reactionary" or conservative members had no chance whatever of enactment. Of the limited recommendation of public works that was approved the President of the American Federation of Labor says:

The recommendation for the undertaking of public works and for energetic development of immediately possible reclamation work is one to which the working people will give particularly enthusiastic support. Not only will the vigorous prosecution of reclamation projects furnish immediate employment, but it is an effort of permanent value in the development of the great resources of our country.

There can be no doubt that the other numerically important element represented, the agriculturists, are even more strongly in favor of a prompt and large-scale extension of credit for approved roads, waterways, canals, land reclamation and waterpower conservation.

HARD TIMES UNEMPLOYMENT REMEDIABLE

President Harding's opening speech at the Unemployment Conference was read by many as indicating a belief that the chief form of unemployment, that due to hard times, is largely without a remedy. Secretary Hoover was definitely optimistic:

There is no economic failure so terrible in its import as that of a country possessing a surplus of every necessity of life in which numbers, willing and anxious to work, are deprived of these necessities. It simply cannot be if our moral and economic system is to survive. It is the duty of this conference to find definite and organized remedy for this emergency and I hope also that you may be able to outline for public consideration such plans as will in the long view tend to mitigate its recurrence.

What our people wish is the opportunity to earn their daily bread, and surely in a country with its warehouses bursting with surpluses of food, of clothing, with its mines capable of indefinite production of fuel, with sufficient housing for comfort and health, we possess the intelligence to find solution. Without it our whole system is open to serious charges of failure.

The conference itself also declared hard times unemployment remediable—as indicated in a passage above

quoted. Moreover it gave grounds why additional public works were desirable and none why they should be limited to existing appropriations or projects already officially recommended.

If the plan for the remedy is sound it should be applied on a scale that can make it effective.

In the official report of the conference, the Secretary adds a postscript indicating the possible influence of the conference on public work as follows:

The federal highway act, passed by Congress on November 3, makes available \$75,000,000, which is to be matched by a similar amount from the states. By November 15, the governors of thirty states had reported to us that within ninety days they can start 6,261 miles of highways which will directly employ more than 150,000 men.

Municipal bond sales for public works since the call for the conference was issued have broken all records. Over \$60,000,000 in state bonds have been sold recently in thirteen states, and more than \$34,000,000 have now been offered for sale.

The conference resolution on reclamation projects has resulted in the introduction of a bill carrying an appropriation of \$20,000,000 to the reclamation fund for continuance of projects now under way. The prompt passage of this bill will give employment to more than thirty-two thousand men.

It is probable that the enactment of the last mentioned expenditure is due to the position taken by the conference. It has undoubtedly also increased road and state and municipal expenditure. If—on a similar basis of calculation to that employed for reclamation and roads—we assume that 114,000 to 171,000 are employed in the above-mentioned state and municipal works, we find a total of some 350,000 engaged in all these public works—but *only a fraction of that number is in excess of those so employed last year*. Accepting Mr. Harding's estimate of a million and a half *normally* unemployed every year, we had at the time of the Presidential Conference—according to its own estimates—an *excess* or *abnormal* unemployment variously estimated as being from 2,000,000 to 4,000,000! If this number has fallen

somewhat, Mr. Hoover has just pointed out that it may soon rise again.

PUBLIC WORKS AND PUBLIC CREDIT

The hard times or cyclical unemployment with which we are now confronted (as distinct from the seasonal unemployment with which we are confronted every year) can be remedied only as the wheels of industry are set in motion and commercial activity restored. Whether the remedy proposed aims primarily (1) at the restoration of privately owned industries that employ the great bulk of the wage-earners, or (2) primarily at new public undertakings, or (3) at the extension of public credit to promote industry and trade, the result must be the same—if the remedy is to be effective, industry generally must be set in motion.

But it would be difficult, even if subsidies were permissible, to set the wheels of private industry directly in motion during hard times. On the other hand in countries like Great Britain and the United States where the public credit is excellent, there is no practical obstacle whatever to the undertaking during hard times of public enterprises of a productive character on a sufficient scale to stimulate all industry and reduce cyclical unemployment to a mere fraction of what it is today. The principle, as we have shown, was repeatedly recognized by the Presidential Conference. But it was not applied on a scale at all commensurate with the evil.

This is so clearly the constructive and preventive policy for dealing with unemployment that it has been recommended by:

1. The International Unemployment Conference of 1913,
2. The Ministry of Labor of Great Britain,
3. The League of Nations International Labor Office,

4. The governments of Germany, Italy, Sweden, Czecho Slovakia and other countries.

Great Britain has made a marked beginning in the application of this remedy and on a considerable scale for that country—though not as yet corresponding to the extent of the evil—and British labor accepts this as a step in the right direction and as exemplifying the sound policy in dealing with unemployment (see special article on the British situation elsewhere in this number of the *FEDERATIONIST*).

The proposal of the extension of public credit for public works and other public purposes *is not in any sense a dole* or an appeal for support and subsistence of the unemployed (as we have already shown).

Nor is it *paternalism in any sense of the word*.—The works proposed and the credits to be extended are along lines long undertaken by the American government, and are calculated to stimulate and promote the entire industry of the nation—beginning with construction and extending to the manufacturers of all the tools of production and of all consumable goods. It is proposed only that in view of the low costs of production and waste of human labor power of hard times these works shall be undertaken on a considerably large scale.

Nor does this policy call for any drain whatever from the public treasury. The credit of the United States is excellent and could in no way be impaired by public loans for manifestly productive purposes, purposes approved by the overwhelming majority of the nation, including investors. The extensions of credit proposed are based either upon absolutely sound security or are intended for works which will pay for themselves many times over in the increased productive capacity of the nation that will result.

The advocates of this remedy for unemployment are not impelled even to take under consideration any projects of a doubtful utility. Either officially recommended

by departments of the federal government or supported by overwhelming expert opinion there have been before the public for many years a number of projects in the fields below mentioned the public utility of which cannot be questioned.

The only important opposition comes from two groups: (1) Those who wish the use of public credit for other and competing purposes—some of them of a doubtful character—and, (2) Those interests which desire to see all the money in the pockets of the small investors flow into private financial channels and little or none of it go to the government in the shape of popular loans. The latter group will remain opposed to the end to every policy that aims to get the wheels of industry in motion and to prevent the colossal individual loss and suffering and social waste of unemployment by the extension of public credit for any purposes whatsoever. But this opposition, powerfully entrenched as it is, cannot long impede the carrying out of a policy which is demanded by the interests not only of almost the entire business community but also of the overwhelming majority of the people.

The chief fields for the new extension of public credit for public purposes are:

1. Land Reclamation.
2. Water Power Development.
3. Inland Waterways (Canals, Rivers, Harbors).
4. Public Highways (Roads).
5. Forestry.

1. *Reclamation.*

Immediate development and extension of the reclamation of arid, swamp and overflow lands in accordance with the plans of the United States Reclamation Service, the Inland Waterways Commission and bills which have been laid before Congress.

2. *Waterpower Development.*

Development of such part of the two hundred million undeveloped water horsepower in this country as

would find an immediate market. This development to include the powers at Muscle Shoals on the Tennessee and Long Sault on the St. Lawrence, and others in the Appalachians, the Rocky Mountains and the Pacific Coast Ranges.

3. *Inland Waterways* (Canals, Rivers, Harbors).

Development of the Mississippi River and its tributaries for domestic supply, navigation, irrigation, water-power and all other benefits to be derived from the use or control of the waters, in accordance with the plan laid down by the United States Inland Waterways Commission—by the construction of levees and dams, by dredging, by the control of stream flow through the creation and protection of water-retaining forests.

The amount to be profitably expended under this plan will mount into hundreds of millions, all of which will ultimately be repaid not only in benefits but in cash.

Development of inland and coast-wise canal systems along the Atlantic and Gulf Coasts, thus affording cheap transportation of bulky freight and giving protected passage to our coast-wise shipping, in substantial accordance with the plans of the United States Inland Waterways Commission.

Engineers appointed by the International Joint Commission of the American and Canadian Governments have reported that the cost of the proposed St. Lawrence Ship Canal, including the development of 1,464,000 horse-power will be \$252,000,000. Constructed and paid for on an equal basis by the two governments this project would furnish a considerable amount of employment for American labor and industry.

Further development of rivers and harbors of this country in accordance with the foregoing and with the report of the Chief of Engineers.

Expenditure of approximately \$43,000,000 for rivers and harbors in the fiscal year, 1923, and an additional

\$7,500,000 for the Muscle Shoals, Alabama, project is recommended by Major General Beach, Chief of Army Engineers, in his annual report.

Work was stopped on the project last April because Congress refused to appropriate further funds.

4. *Public Highways (Roads).*

The principle of the public roads bill enacted by Congress several years ago, and now re-enacted by the recent Congress—appropriating \$75,000,000 and calling for a like expenditure by the states—is sound. Bills before Congress calling for an additional expenditure of \$100,000,000 during the coming year should be immediately enacted—an apparently large sum, but by no means excessive in view of the enormous area of this country.

5. *Forestry.*

Development in the national forests of roads, trails, telephone lines, fire towers and other permanent equipment for preventing and putting out devastating forest fires in accord with the principles laid down by the United States Forestry Service.

There are more than 150 million acres of national forests. Pennsylvania, with $1\frac{1}{4}$ million acres of state forests, is spending five hundred thousand dollars a year for this purpose.

Reclamation by planting and otherwise of more than eighty million acres of man-made desert, once rich forested land. Forest devastation is adding to this desert yearly some three million acres—an area as large as the state of Connecticut.

THE PROBLEM CAN AND MUST BE SOLVED

The problem of unemployment can be solved. Seasonal unemployment can be almost eliminated. Cyclical unemployment is a social crime of the highest order and

no society which permits it to continue can expect to survive.

As long as men and women, eager to work, in a country filled with untold riches of materials and land, are denied the opportunity to work and to maintain themselves properly, our society is bankrupt in its most important essential.

The question is no longer open to debate. The problem of unemployment *must be solved*. There is no alternative.

Labor lays down its proposals. It supports every constructive move, no matter where or by whom initiated. It brings forward in addition to those moves a program of proposals which will clear away the social waste and wreckage caused by unemployment and put the nation on the road to full and final remedy.

These proposals are before America. Labor demands that the problem be attacked with full vigor and determination, with fearlessness and an eye single to solution with justice.

Working people must work to live. To deny the opportunity to work is to enforce death.

The problem can be solved. It must be solved. The time for action and solution is, not tomorrow, but *now*!

BIG JOBS FOR BAD TIMES *

We believe that the idea developed by Mr. Hard in this article is big and simple and practicable. We have tested it by the judgment of men who are authorities on unemployment and on "big jobs." We submitted this article to each of them and asked him to express his opinion, for publication, on the soundness of its central idea. You know these men, and you will read the article more appreciatively because of their comments.—Editor, *Everybody's*.

JOHN MITCHELL, Labor Leader: I have read with care and interest Mr. Hard's article, *Big Jobs for Bad Times*. The plan he proposes for minimizing and reducing the hardships and evils of unemployment is thoroughly practicable and should receive

* By William Hard. *Everybody's*. 35:129-41. August 1916.

the earnest consideration of federal, state and municipal authorities having control of public improvements.

FRANKLIN K. LANE, Secretary of the Interior: I have looked over Mr. Hard's article. His idea is not impracticable. A little thought and a little money, and we need have no more long periods of unemployment.

OSCAR STRAUS, Chairman of the Public Service Commission: I thoroughly approve of this idea. I think it may even be carried to the extent of building great public highways from coast to coast in periods of great unemployment.

HENRY R. SEAGER, Professor of Political Economy, Columbia University: I have read with great interest Mr. Hard's article. The plan he advocates in his usual striking and effective way seems to me entirely practicable if we have at Washington the machinery for a continuing policy of such high statesmanship. It is a big "if," but I believe the President and Congress who inaugurate such a plan would not find other presidents and congresses backward in carrying it forward.

JACOB SCHIFF, Banker, Director National Employment Exchange, etc.: I am in accord with this proposition to remedy unemployment by hastening work on state and municipal public undertakings, and to increase or diminish this according to necessity and the general material condition of the people.

WILLIAM C. BREED, Member of the Mayor's Committee on Unemployment, and an eminent New York Lawyer: Movements of this sort in times of depression are along the right line.

G. W. ALGER, Member of the Mayor's Committee on Unemployment, and the man who drafted the present New York Employers' Liability Act and many amendments to Labor and Child Labor Laws: This is a splendid idea. It is sheer common sense.

NEWCOMB CARLTON, President of the Western Union Telegraph Company: I think this is an eminently practical plan for states and municipalities.

WILLIAM FUNK, Editor of the *Engineering Magazine*: This is a wholly excellent and feasible plan.

SAMUEL McCUNE LINDSAY, Professor of Political Science, Columbia University: I have read Mr. Hard's article with interest. The basic thought is, of course, sound and practical. I might also add feasible, though it does not seem to me that his concrete suggestions of ways of carrying out his plan are altogether adequate or happy. It will receive the almost unanimous support of economists and social workers.

This is written in the belief that a great happiness instead of a great misery can be prepared for the people of the United States in a certain matter, if only we will do—and do now—the things that we really know we ought to do about it.

In the fall of 1916, or 1917, or 1918, or 1919, or at the latest 1920, the business man will be having great difficulty selling his goods. We shall be in the midst of our next great business depression. It must come. We know that it must come.

The business man, being unable to sell his goods, will begin discharging his employes and begging his bankers for time. To him thus struggling there will soon enter a charity superintendent who will say: "Men are starving in their homes and men are rioting in the streets. You discharged a couple of hundred of them yourself. They have to have food. We want a large subscription from you." Pulling down the shades to shut out the view of the bank across the street, the business man will sign his name to a check; but, perhaps, when the charity superintendent has left his office, he will have the wisdom to say to his stenographer:

"Miss Smith, last time we had all this trouble about men out of work, didn't we have a regular Unemployment Commission to tell us how to get rid of Unemployment? We did. I know we did. I subscribed a hundred dollars to it myself. And they made a report. I remember it very clearly. It had a green cover. As soon as it came in, I tossed it right over to you. See if you can find it. Now that I have time, I think I'll read it."

If the office files of the business men of the United States were examined they would reveal about a million unread reports on unemployment. Yet those reports, virtually every one of them, contain a proposition which would save the United States billions of dollars during the next generation. They contain a proposition which would not only break the back of the unemployment crisis which comes with every great depression but would also help to break the back of the depression itself.

This proposition, however, is precisely like every other really modern and really scientific undertaking. It

cannot be left to the last moment and then improvised. It cannot be handled by a mob of instantaneous snapshot volunteers. It requires a national general staff, equipped with complete knowledge and equipped also with the machinery for hurling that knowledge at the crisis before the crisis has had time to develop into an irresistible disaster. "In times of peace prepare for times of panic."

Imagine, then, that the President calls into his office three certain men. One of them is William B. Wilson, Secretary of Labor, who, thru his department, has a daily familiarity with the conditions of labor. The second is Frank A. Vanderlip, who, thru his bank, knows every fluctuation in the powers and prospects of capital. The third is John R. Commons of Wisconsin, our most skilful citizen in the practical administration of those laws in which labor and capital are jointly interested. The President says to them (as nearly as we can clumsily approach his inimitable style):

"I have been charged by the Congress, in a spirit of accommodation and accord, to lay before you a new public duty. It has become clear lately that the governmental bodies of the United States, national and local, may properly be regarded as constituting, together, our greatest employer of human labor. It has become clear, too, that this employer is more advantageously placed than any other or doing those things thru which every business depression is brought to its end.

"When the waters of business are stagnant, gentlemen, it becomes necessary, if I may say so, to 'prime the pump.' You will remember that very recently the spirit of enterprise in the United States was stilled by fear. Then, out of the passions of another hemisphere, there came to us a sudden great demand for commodities, commodities of warfare, but, also, even more largely, commodities of customary consumption. It was a demand which reached only a few of our industries

directly. Yet, within a few months, it penetrated them all. The farmer who was making unexampled shipments of wheat to Europe gave new activity and new hope to the managers of railways, and so to the builders of freight-cars, and so to the fabricators of lumber and of steel. Fear departed. Prosperity set in.

"Now," continues the President, "you will feel, I am sure, as I feel, that the minds of men are turning to the thought: 'If this priming of the pump of business can be done by the sudden endeavors of war, why may it not be done by sudden beneficent endeavors of peace, by great outlays on great improvements in our common life, on our highways and our streams and our marshes and our deserts?'

"It is a question already reaching its answer in certain quarters of the world. The Government of Great Britain even now has set aside certain moneys which are to be used in the construction of roads, but which will not be released to that end till, in a crisis, they can serve to give a revival of activity to unemployed labor and to unemployed capital.

"Is it not possible, gentlemen, for our American governments, national and local, to accumulate such funds, holding them in reserve against our days of fear and then pouring them out on great public enterprises which will set the waters of labor and of capital flowing once more in the channels of courage and of certainty? Is it not possible that in such fashion our next great crisis might turn out to be no crisis at all, but only a splendid opportunity for a new handsome advance in common counsel and service?

"It is for you, gentlemen, to make this task your study."

The new Commission will go to work. The first thing it will notice, through the engineers who will make its field inquiries for it, is that today our various

governmental bodies, instead of giving more employment when more is needed, often actually give less.

For instance, there is the Federal Reclamation Service. Its work of building dams and reservoirs in the arid West is not (much of it) emergency work. It will last for decades. Yet on June 1, 1915, when times were good, the Reclamation Service was employing a force numbering 10,520 men, while on June 1, 1913, when times were bad, it was employing a force numbering only 7,616.

This policy is widely followed by our state legislatures and city councils. When business is flat, they feel poor, and having accumulated no unemployment funds, they hesitate to authorize the construction of new public works. They continue to hesitate till business is once more on the lift. Then, with revenues coming in more easily, they begin to make appropriations more freely. The consequence is that they are likely to be at their busiest, as constructors, as employers of labor, precisely when labor needs them least—in boom times. Incidentally, in such times, they have to buy their construction materials (such as stone and brick and water-mains and sewer-pipes) at top-notch boom prices.

The next thing the Commission will notice is that the amount of public money now spent in the United States on "permanent improvements" is prodigious. It comes to about \$600,000,000 a year.

The Commission will be led to ask: Suppose we continue to appropriate \$600,000,000 a year. But suppose we spend, each year, only nine-tenths of it. Suppose we put one-tenth of it into a reserve. At the end of five years we shall have \$300,000,000 saved. Suppose the sixth year is a year of deep depression. Suppose we spend that \$300,000,000 then. How much employment will it give?

To answer that question, the Commission may use the calculations already made by Mr. John R. Shillady,

Secretary of the New York "Mayor's Committee on Unemployment." These calculations tend to show that \$300,000,000 spent on the materials and the pay-rolls of new construction would employ more than one million wage-earners at average wages for a period of twelve weeks! It would be a peace order quite worthy to be compared with any one group of our war orders of the fall of 1914, and it would reach the whole United States directly and immediately.

At this point, however, it is likely that one of the Commission's engineers will say: "But these expenditures we are now talking about are principally local—for such things as pavements and buildings and sewage-systems, and so on. Out of the whole \$600,000,000 annually, I notice that just about two-thirds is spent by the governments of cities, and that most of the rest is spent by the governments of counties and of states. These expenditures do not really touch our one great special national task which the President mentioned to us—the task of the control and development of our national natural resources. I would like to take just one part of that task—water—and just one part of that part—flood-water—and find out in a general way how much work it lays before us."

This engineer will thereupon find out that flood-water—the control of flood-water—is in itself enough to provide work for a very considerable percentage of our next "army of the unemployed."

After the last great flood at Pittsburgh (in 1908) there was a Pittsburgh Flood Commission. Its engineers went up into the mountains above Pittsburgh and located the sites for a large number of reservoirs, capable of holding back the waters of the next flood and of preventing them from desolating the Pittsburgh district. The cost of these reservoirs would be at least \$25,000,000. It would probably be a great deal more. Here is one big job; and there are scores of others.

There is an unusually interesting one on the Miami River in Ohio. After the Miami wrecked the city of Dayton in 1913, it was taken in hand for a long study and criticism and course of advice by the engineers of the "Miami Conservancy District," who made an elaborate and excellent report. They propose reservoirs, just as the Pittsburgh engineers do, but of a different sort. These Miami reservoirs would not be built to hold back all the waters entering them. They would have outlets—permanent working outlets—through which a certain volume of water would continuously run—a volume just large enough to fill (but not to flood) the river-beds below them. The Pittsburgh reservoirs would be containers. These Miami reservoirs might be called brakes. They would make the next great flood come slowly and safely. The cost of them would be at least \$23,500,000.

Now these two districts—Pittsburgh and Miami—are very small in comparison with the whole Ohio River Basin of which they are a part. Their combined area is not more than 25,000 square miles. The area of the Ohio River Basin is 200,000. If the Pittsburgh figures and the Miami figures may be taken as guides, what would be the cost of protecting the whole Ohio River Basin against life-loss and property-loss from floods? The engineers of the War Department of the United States, who know more about rivers than any other group of men among us, calculate that it would be anywhere from \$350,000,000 to \$1,000,000,000 or more.

That such works are too large for the unaided treasuries of our local governments is clear. That assistance may be given by our national Government is now an established fact, as shown magnificently in the case of the Sacramento River in California, where national money and local money will soon be at work together doing an engineering job which, when completed, will amply deserve a tablet bearing Gibbon's famous piece

of rotund rhetoric: "The servitude of rivers is the noblest and most important victory which man has obtained over the licentiousness of water."

Only three rivers in the United States have a larger flood-volume than the Sacramento. They are the Columbia, the Ohio and the Mississippi below its union with the Missouri. The Sacramento is a great river—for water. But it is a wretched river for beds and banks. It may be doubted if a more inefficient river was ever made. Its water-carrying capacity actually gets smaller instead of larger as it flows down toward the sea in the one-hundred-mile stretch between Chico and Knight's Landing. At Chico the Sacramento can carry 235,000 cubic feet a second. At Knight's Landing it cannot carry much more than one tenth of that amount. Nature botched this river. Man is now going to remake it almost as thoroughly as the war-surgeons of France are remaking human faces.

At a point about a third of the way down from Chico to Knight's Landing the engineers of the United States will build a dam. It will be a weirdam. That is, it will be built in such a manner that when a flood reaches a certain height and begins to produce a surplus of water, that whole surplus will leave the Sacramento and flow out over the top of the dam into the adjoining country. But it will not there find any opportunity for "licentiousness." It will find a "servitude" which the engineers call a "by-pass." This is really an artificial river. It will have a broad bed, and it will have high levees for banks. It will proceed toward the sea in a course paralleling the course of the Sacramento itself. So there will be, in flood times, two Sacramentos—the regular one and the reserve one—operating simultaneously.

At three other points three other weirdams will be constructed, from all of which there will be a flow of surplus water into the new artificial reserve river. This river, at last many times broader than the Sacramento

itself, will flow through the whole lower Sacramento valley, and will not be reunited to its parent stream till within a few miles of the sea.

The cost of the work for land condemned and for construction will be about \$33,000,000. California must provide the land. The construction cost will be divided equally between California and the United States. The engineering management will be in the hands of engineers of the United States War Department, exactly as at Panama.

On very similar terms, under House Bill 14777, Congress is appropriating \$35,000,000 to be spent on the lower Mississippi in works of which the prime purpose is flood-control. "Local interests," poorer here than in California, will not be obliged to match every federal dollar with one of their own. They must provide the land, just as the Californians must, but they will be required to come forward with only fifty cents for every dollar appropriated by Washington. That is, to match the \$45,000,000 now appropriated, they will have to produce only \$22,500,000.

This is a total of \$67,500,000. It is no mean sum. Yet it is only just about one-third of the sum ultimately needed. The engineers of the army, making no allowances for graft and pork, calculate that on the lower Mississippi, from Cairo to the Gulf, the work of making adequate levees and the work of lining those levees with the necessary "revetments"—that is, with mattresses of brush or of other materials—will cost, before real safety is reached, \$220,000,000.

If such costs are staggering, so are the benefits. First, there is the saving of life. The floods of 1913 destroyed 467 men, women and children. Then there is the saving of property. The floods of 1913 destroyed property worth \$160,000,000. Third, there is the saving of time—of human living time. Our sojourn here is too short to be spent in making great improvements on farms

and on city lots, and in them, after floods, making those very same improvements over and over again. Finally, there is the new land to be brought into use—an empire of it.

In the Sacramento valley alone, according to the calculations of the army engineers, the new land rescued from bearing nothing but water and subdued to bearing crops will be 400,000 acres. The local current-market value of this land, again according to the calculations of the army engineers, will at once be \$60,000,000.

In the valley of the lower Mississippi, in the deltas now submerged, a complete flood-control would give us new land which, if planted to cotton, would produce annually a crop worth, at present prices, \$700,000,000.

The engineer of the National Unemployment Crisis Commission will now be able to make his little report. He will say:

“I find that flood-water—flood-water alone—gives us projects, highly useful projects, amounting to many hundreds of millions of dollars; and I find that these projects suit our particular purposes exactly; because:

“First: The work is so gigantic that the United States would be fully justified in maintaining a large permanent staff of engineering experts and directors for it. Second: The work is scattered from Atlantic to Pacific so widely that if it were lifted to sudden great activity in a time of depression the whole country would feel the upward impulse.

“I find, further (quite aside from flood-control), that every section of the United States—and virtually every important locality in every section—has some great public work before it which it is going to do ‘some day.’ Often this work is purely local, and the national Government should have absolutely nothing to do with it. But often it is national as well as local, and often it is precisely the sort of work that would make a good slack-time enterprise.

"For instance, swamps. It is just as desirable for the national Government to increase the area of the United States by taking water out of swamps as it is for it to increase the area of the United States by leading water into the desert. Now the Department of Agriculture tells me that the great swamp-lands of the United States have an acreage of about 77,000,000. This is just about twice the acreage of all New England. The Department of Agriculture also says that these lands 'can be reclaimed and made fit for cultivation by the building of simple engineering structures.' The cost would be, for each acre, about \$15.00. That is, the total cost would be more than \$1,000,000,000.

"Much of the work can be done in very large pieces. For instance, today in Missouri we have the 'Little River Drainage District.' It is seventeen miles wide and ninety miles long. To drain it there will have to be some 700 miles of ditches and levees. The cost will be about \$4,500,000.

"Now it is perfectly clear that we do not have to rescue all these swamp lands immediately. We can rescue them at our leisure. We can make our plans now, all the way down to the last blue-print, for certain big projects. We can arrange all the details now for a co-operation between local drainage districts on the one hand and the national Government on the other. And then we can go after those projects and put them through when time would otherwise be hanging heavy on our hands, just as the individual farmer does in the case of the draining of some little wet hollow on his own farm. This same principle can be applied to many proposed canals and to many proposed systems of great through highways and to many other public works of many various sorts. In the case of the Pittsburgh flood district— —"

But, instead of imagining the engineer saying it, let us imagine the United States and Pittsburgh doing it.

The National Unemployment Crisis Commission sends a little note to the Chief of Engineers of the War Department and says: "We have entered the Pittsburgh Flood-Control Project in our list of 'Projects under Consideration.' Will you please report on it and give us your decision as to plans and costs?"

The Chief of Engineers sends a representative to Pittsburgh. He there meets the representatives of the Pittsburgh Flood Commission. That Commission is in earnest. It has, in fact, spent some \$140,000 to date (June 5, 1916) on its studies. The army engineer and the Pittsburgh engineers together ascend the Monongahela and the Allegheny and their tributaries and together inspect the forty-three reservoir sites which the Pittsburgh engineers have already chosen and suggested. The army engineer perhaps at once does some choosing and suggesting of his own. At any rate, unless he is a very strange specimen of army engineer, he does a great deal of harsh revising. After which he returns to Washington and says something like:

"I report that a certain thirty of those forty-three reservoirs should be built—before we get through—and that the total cost will be about \$10,000,000 more than they say. It will be in the neighborhood of \$35,000,000 in all. I report, further, that the project is sound and desirable technically."

Congress thereupon appropriates \$17,500,000. It makes this appropriation on terms that will break its heart. Customarily, whenever Congress lets an executive department have a dollar, the head of that department must get that dollar spent within a certain time. The normal time is a year. If, at the end of a year, there is a nickel left, it goes back into the treasury. The department head is usually, therefore, very careful to see to it that there is no nickel left. In this present case, however, Congress will appropriate \$17,500,000 on terms which will provide that those dollars shall stay appro-

priated, in a fund of their own, year and year, till ordered out, from time to time, as needed, by the President.

A similar appropriation of \$17,500,000 is made by Pittsburgh—that is, by Allegheny County. It happens, in fact, that Allegheny County has already been empowered by the State of Pennsylvania to issue flood-control bonds. It issues them.

The work begins. It is not all of it postponed to the next crisis. Not by any means. That would be fatal. There must be an organization made—an organization with an engineering staff which has learned the ground—an organization with a working force which can be the skeleton of the sudden army which the crisis will bring.

The President, therefore, acting on the advice of the Unemployment Commission, orders the Chief of Engineers to proceed—cautiously. Work begins on, say, three reservoirs. It continues from them to others. Each, as built, lowers the flood-level at Pittsburgh. Protection from floods in the Pittsburgh district is being accomplished.

In the meantime the plans and specifications for all thirty of the reservoirs have been completed at Washington. In the case of each of them it is known just how many men will be needed and just what materials (and how much) will be used. It is even known just where the camp-site of the workers, in each case, will be pitched. Why not? Why is it not possible for our Chief of Engineers, on behalf of daily ordinary human happiness, to know as much about what he is going to do in our next human business crisis as the Chief of Staff of the German Army knew about what he was going to do in the next German war with France? The essence of our strategy in this matter is to be so prepared that when the next crisis is about to declare war on us we can invade it and not let it invade us.

But Pittsburgh has a problem that is altogether local, as well as a problem that is partly local and partly national. Pittsburgh has been ordered by the State of Pennsylvania to stop allowing its sewage to pollute the waters of the Monongahela and Allegheny and Ohio. This will cost some \$37,000,000. Pittsburgh hesitates. Well it may. The price it is called on to pay for sanitation is frightful. But, since that price must be paid some day, why not pay it on the day when, besides buying sanitation, it can buy something else? Why not pay it when, besides helping health, it can help business? Why not pay it when, besides being an expenditure, it will be an asset?

As in the case of flood-control, appropriate now. Complete the plans. Begin work—cautiously. Stand prepared to strike boldly and instantly—when the day comes.

The day comes. Private business begins to slow down. As soon as its leaders notice that it is slowing down, they get frightened and refuse to give it fresh money—fresh power—anywhere; and then of course it slows down worse than before.

Again the captains of industry have led their soldiers to defeat and discharge and destitution. They deserve a court-martial, and, in the present temper of the world, they are likely to get it some day, unless they adopt the clear, known means by which such occasions can be changed from defeats to victories.

The National Unemployment Crisis Commission now reports to the President. It reports that in the Pittsburgh district the outgoing tonnage has declined gradually to 75 per cent of normal. It reports that applications for work at the Pittsburgh employment bureaus have advanced to 400 per cent of normal. It reports, in other words, that an ordinary regular conventional depression is in sight, and that the moment for action has arrived.

The President acts. He directs the Chief of Engineers to expand his Pittsburgh project as rapidly as possible toward the maximum. At once the orders for new machines and new materials to be delivered at the Pittsburgh reservoir sites go out from Washington. At once the recruiting-stations for the new regiments of workers are opened in Pittsburgh itself and in its environs. Shortly the working force at the three or four reservoirs then under construction is quadrupled. Shortly, again, five more reservoirs are under construction—and then another five—and another one—till twenty, if needed, are proceeding.

At the same time, in the same manner, the local sanitation project has expanded itself from employing a few hundred men to employing thousands—and more thousands, if the need appears.

These men use materials and machines which come from manufacturers who at once put other men to work. Also, having wages now, they spend them and they buy food and clothes for themselves and for their wives and children from other manufacturers, who likewise in turn put still other men to work. The depression finds itself reversed. Instead of an impulse downward, we have an impulse upward.

We have it at Pittsburgh, and we have it everywhere else. Everywhere, in every intelligent community, our postponed works of local improvement are under full way. Further, covering whole broad sections of the country, our postponed works of general improvement—national in their character as well as local—flood-control and swamp-reclamation and canal-construction and thru-road-extension and harbor-terminal-development—are also under full way. Finally, many postponed works which are not local at all but purely and exclusively national—irrigation-dams in federal deserts, and trails and boulevards in federal parks—are under full way, too.

Two million men, if we please to summon them, have been transferred from useful private work to public work equally useful. Two million men, instead of begging, are purchasing. The depression never lived that could take such a blow without losing half its power of inflicting misery, and without also losing half its power of duration.

A year later almost all of our sudden public employees have gone back to private business. They leave the emergency wages of emergency public works to return to the higher wages of ordinary normal employment. In the meantime they have been a service to the United States and not a burden. They have filled the United States not with soup-kitchens and bread-lines, but with structures of new, solid, permanent helpfulness. They have weathered a depression for themselves, and they have greatly shortened it for all of us. They can do this. *All they need is leaders who lead. All they need is leaders who have a public as well as a private view of life. All they need is leaders who, instead of behaving as if they were doing nothing but operating a lot of individual piratical sloops, behave as navigators of a fleet of state.*

So, perhaps, when the next crisis has gone by, the business man may say to his stenographer:

"Miss Smith, I hated to read that green report, but I certainly do like to look at that reservoir."

A NATIONAL EMPLOYMENT RESERVE FOR LEAN YEARS AND SEASONS⁴

The recent establishment of a Federal Reserve Bank marks a great stride in advance in the effort of the nation to grapple with the evil of industrial and financial depressions. It marks the triumph of social collective control over the former individual helplessness before

⁴ By N. I. Stone. *Survey*. 33:439-40. January 23, 1915.

the disasters of industrial and financial crises which used to strike the individual banker and the individual business man with the inexorable fury of blind elementary force.

While we have thus taken care of the banker, the manufacturer and the merchant, the workman, to whom unemployment invariably means hardship and frequently privation and even starvation, is still left to struggle for himself with such meager assistance from society as relief through soup kitchens, bread lines and free lodging-houses. Productive emergency work is started sporadically, with great difficulty, and much lost motion, due to the extraordinary nature of such undertakings and the absence of any organization to meet such emergencies.

No attempt to deal with the problem of unemployment will succeed unless born from the recognition of the permanency and nation-wide scope of this disorder of our body politic. Just now our troubles are accentuated by the European war. But last winter the problem of unemployment was no less acute, though the number of sufferers was somewhat less.

Apart from the periodic fluctuations of employment in seasonal trades, such as in the garment and building industries, there are deeper causes which produce sporadic disturbances in all industries causing widespread industrial depression. While much may be accomplished by a systematic campaign for the regulation of employment in various industries and the dovetailing of employment thru the distribution of superfluous workers in one industry to industries which can employ them, the extent to which the labor exchanges and industrial training will be able to reduce unemployment by these means will fall far short of the total abolition of unemployment.

No appeal to individual employers to take on additional labor will result in an appreciable increase of employment at a time of industrial depression when the individual business man has all he can do to keep head above water and is forced to dismiss his help in order

to weather the storm. Even large employers, such as our large railroad companies, have been forced to lay off their men wholesale as a part of the policy of retrenchment and economy. The individual employer or stock company is helpless or at best can meet the situation to but a limited extent, and only society as a whole through the national and state governments, can grapple with a national ill.

The proposed adoption of a comprehensive scheme of unemployment insurance, similar to that recently introduced in Great Britain, would, no doubt, go far to relieve extreme distress among unemployed workers, tho the relief would necessarily be limited to an amount barely adequate to provide mere necessities of life. While that would be better than leaving the worker and his family exposed to starvation and dependence upon charity, any system of state unemployment insurance has the disadvantage of being an unproductive expenditure of wealth on the part of society which on the one hand maintains the most productive members of the nation in idleness and on the other fails to maintain them and their families in reasonable comfort.

No measure can be regarded as an adequate solution of the difficulty which fails to provide productive work for men and women thrown into involuntary idleness and thus help all able-bodied members of society to maintain their accustomed standard of life without their becoming at the same time a charge upon the public treasury or upon the charitably inclined.

Such a desideratum can be provided solely by a well-maintained system of public works so organized as to have the elasticity of our newly devised federal banking reserve, by being capable of quickly absorbing the surplus labor of the country released by the seasonal sporadic contractions of industry and of contracting when the needs of expanding business call for the reserve army of labor.

The suggestion as to the use of public works as a means of relieving acute unemployment is not new. But so far as the writer is aware, no scheme has ever been submitted aiming at a comprehensive, nation-wide, permanent, regularly operating, elastic system for absorbing and releasing the labor supply of the country in the same manner as the Federal Reserve System has been devised to absorb superfluous idle funds when not required by the industries and commerce of the country and for supplying adequate funds when so required. The parallel is complete, except that in the former case we deal with forms of wealth which can be conveniently stored in vaults when not needed, while in the latter we must deal with human labor which can only be stored in the bodies of human beings when maintained in health and which is irretrievably lost to society when these bodies are allowed to deteriorate or perish through privation and want.

It is thus apparent that, apart from any considerations of humanity and fair play, the present system or rather lack of system in allowing the individual worker to shoulder the full weight of the hardships resulting from unemployment is tantamount to destroying a large part of the productive equipment of the nation which can only be restored in some fifteen or twenty years, which is the period necessary to raise a new working member of society. This is apart from the enormous money loss to the community which cannot be measured accurately, but which is so huge as to stagger imagination.

According to the figures of the federal census for 1900 there were nearly 6,500,000 people unemployed during the year 1899 for periods varying from one to twelve months each, representing a loss of wages, figured by the American Association for Labor Legislation at an average of ten dollars per week, at a total of about one billion dollars for that year. This billion dollars had to be covered by the nation in the form of charitable and

public relief as well as out of the savings of the unemployed and, in so far as not so covered, the deficit resulted in the deterioration or total destruction of the physique of the working people, which was thus entirely lost to the nation. A part of the wage deficit was covered by crime with the additional loss to society represented by otherwise unnecessary expenditures on prisons, police, jailors, prosecuting attorneys, judges, etc.

Finally, there was the loss of wealth which the idle workers would have produced in return for the billion dollars of wages they failed to earn and which may be estimated at not less than two and one-half billion dollars (on the basis of the census figures which show an output of \$2.50 worth of new products for every dollar paid in wages).

It is difficult to say what the workers spend on themselves and their families when they are idle. Certain it is that they must spend some money to live. Whether they draw upon their own savings or upon those of society, in the form of charity or loans, the accumulated wealth of society is diminished to that extent. Assuming that the idle workers spend one-half their normal expenditure, we get an amount equal to about half a billion dollars as measuring the store of accumulated wealth which is consumed annually by the unemployed.

Adding to this the two and one-half billion dollars' worth of wealth which they failed to produce through the same cause, we get a total of about three billion dollars per annum, not counting the indirect losses caused by impairment of efficiency and vitality and other conditions referred to above. If all this could be estimated, the loss would be greatly increased. Thus, the havoc wrought by unemployment rivals in magnitude that caused by some of the greatest wars. But there is this difference: wars are necessarily of brief duration and followed by long periods of peace and recuperation,

while unemployment adds its cumulative destructive effect year by year.

Once this condition is realized, no effort will be thought too great, no measure too ambitious which will hold out the promise of an effective cure of this greatest of our economic ills which carries in its train grave social and political evils.

With this in mind, we should be better prepared to consider a comprehensive scheme for a national employment reserve. For years the construction of a national highway system has been agitated without appreciable progress being made in this direction. As compared with countries like Germany and France, we have most backward and inadequate highways, comparable in a large part with the miserable rural roads of Russia. The absence of good roads is responsible for the fact that millions of dollars' worth of agricultural produce is left to rot in the field.

Our present system of road-building by the states and counties done mostly on contract results not only in poor construction at a high cost in a great many instances, but also in a lack of a comprehensive system of highways which are built to meet local needs only, and therefore frequently end "ten miles from nowhere."

With the equal interest in a comprehensive system of uniformly good roads on the part of the nation, state and local community, it seems but fair that each be made to bear an equal or whatever may be found to be a justly proportional share of the cost of construction. If the federal government were to adopt a policy of contributing, say, one-third of the cost of highway building on the condition that the state and county concerned contribute their respective thirds and build the highways according to a previously worked out plan, so as to make them fit into a great scheme of national highways, most, if not all, local governments would be sure to avail themselves of the opportunity.

The success which marked the digging of the Panama Canal by the national government warrants the belief that if national road-making were placed in charge of our army engineers, to be done directly by labor hired by the national or state government without the corrupting influence or, at best, the legitimate, but wholly unnecessary profits of intermediary contractors, that we would get superior roads at a saving in cost as compared with the present system of helter-skelter road-building.

The magnitude of this task, the vast area of swamp lands which await drainage to be turned into fertile fields and gardens, the building of works to stop inundations, with their consequent destruction of life and property, by the Mississippi and its tributaries, the harnessing of our water-powers, and similar enterprises, is a guaranty that the system once adopted would have ample work before it to keep it going for generations to come.

In turn, good roads and drainage would open up millions of acres of land for the permanent employment of a large agricultural population and cause a demand for the products of industry and commerce, giving employment to a multitude of other workers, women as well as men.

The adoption of the scheme would involve the constant maintenance of a small nucleus force of engineers and skilled and unskilled workers so as to maintain the organization intact and capable of expansion on short notice. Congress would be asked to appropriate annually a minimum amount necessary to maintain the force, and to authorize the President to expend an amount equal to one-third of the total cost of any road in the United States for which any state (alone or together with its constituent counties) was willing to appropriate the remaining two-thirds.

The subvention to states would be made subject to certain conditions which would insure the construction of the roads under federal supervision and according to

federal standards of workmanship and terms of employment, and as a part of a federal highway system. In this manner the presence of considerable unemployment in any part of the country would stimulate increased appropriation for public works from the local public treasuries, preference in employment being given to local residents.

Provision would have to be made for the reduction of the force of workers on the highways as the demand for labor in industries increased. The details of organization, of federal and state financing, of the adjustment of wages and hours, and other features of a scheme of this magnitude will require much thought and study. So did the details of the Federal Reserve System which seemed to present insuperable technical difficulties, an irreconcilable conflict of economic interests and a Gordian knot of political tangles which only the keen sword of bold statesmanship of President Wilson was able to cut through. Great as the obstacles which will undoubtedly beset the working out of such a scheme may be, they offer none of the technical difficulties, nor the political and economic barriers which beset the adoption and inauguration of the Federal Reserve System.

The necessity of contributing two dollars for every dollar to be secured from the federal government would act as an effective safeguard against the pork barrel evil, for no congressman would try to secure appropriations for his district unless his constituency was willing to tax itself to twice the extent of such an appropriation. The principle, if applied to our policy of river and harbor improvements might easily cure the latter of the pork barrel evil and bring about the long cherished inauguration of a really comprehensive and effective system of internal waterways. These would admirably supplement the proposed highway system and could be incorporated in the scheme of a national employment reserve.

While road-making, swamp draining, and similar work is thought to furnish a most promising source of employment in a scheme such as is here described, it is not meant to confine public enterprise necessarily to these only. Any other form of public works which combines the advantages of offering remunerative employment at socially useful labor, which is of sufficient magnitude to require years for completion and yet is not so urgently required as to permit of slackening the pace when workers are needed elsewhere, is available for the purpose of regulating employment on a national scale.

In this respect the municipalities would be in a position to supplement the system by a thoughtfully planned scheme of municipal undertakings, such as model house building and similar works of an extraordinary nature, of a productive character for which funds could be raised by the issue of bonds secured by the value of the buildings and plants created.

UNEMPLOYMENT AND PUBLIC WORKS⁵

History may be read as the story of man's increasingly successful efforts to control periodical perils which threaten his destruction. Noah, according to the story, was a long-range planner against floods. Before Noah's time countless generations had regarded themselves as helpless before floods and had been swept away unresisting and unprepared. Today in western Europe flood control of the rivers is no longer a problem. Moreover, the levees of the Mississippi and the flood control works of the Miami Conservancy District in Ohio protect the homes and the resources of large populations. In the watershed of the Amazon, however, areas equivalent to those of several European nations remain as uninhabitable to modern as to prehistoric man.

⁵ By Otto T. Mallery. *American Labor Legislation Review*. 13:25-9, March 1923.

How many generations in Egypt had regarded famine as an act of the gods and therefore impossible for man to plan against? Dynasty after dynasty of Pharaohs had apparently reigned without the birth of the idea that any measure could be taken to prevent periodical decimation by famine. Six thousand years later the ancient belief in man's helplessness still finds voice in the United States Senate.

On February 14, 1922, in debate on the long-range planning of public works, a potent senator opposed the proposal as "absolutely beyond the power of government or man to operate." He quoted in support of his position Pharaoh's dream of the seven fleshed kine devoured by the seven ill-favored kine and Joseph's interpretation of the seven years of plenty followed by seven years of famine. He stated:

These recurring periods of plenty and of famine have been going on for some time. There seems to have been devised no successful method of arresting their progress and I very much doubt if one can be provided even by the Congress of the United States.

Senator Kenyon of Iowa replied that he was reliably informed that this same Joseph had set up a reserve of grain during the seven fat years just as the President's Conference on Unemployment sought to set up a reserve of employment against periods of industrial depression.

WE NOW KNOW WHAT TO DO

The President's Conference on Unemployment stated that if the various governments—federal, state and municipal—would plan ahead to do less public works during periods of active business and employment and more in bad times, an important part of the dangerous peak of the business cycle would be cut off and a large section of the trough of depression filled in.

The annual average of public works of all agencies within the United States is about nine hundred million

dollars. This sum is so great that if the average is substantially increased during a boom, governments will further dislocate prices and wages by competing with active private industry for the same men and materials. On the other hand, if this average is substantially exceeded in a year of depression, employment will be given not only on the work itself but also in the making of materials. The wages so earned will be sufficient to buy enough blue overalls and black socks to call idle textile workers back to their looms and to liquify frozen credits in cotton and wool. Moreover, such employment will also brace up the business of the local merchant, the distributor and the manufacturer, thus starting a new flow throughout the stagnant channels of industry.

Then why not do it? Why not expand public works in bad times and contract them in good times? It is not so simple. Before this can be fully achieved Uncle Sam himself, forty-eight states and five hundred cities will have to go into strenuous training and develop a "punch" equal to that which produced the national budget and all the little budgets.

Public works planning is an extension of the budget idea. In the budget you must know how much money you have to spend next year. In public works planning you must make as good a guess as you can how much you will spend in five years and figure on spending more in bad years than in good. If there is no city plan, one should be made. If you have it you will see clearly that although you cannot get it all in one year, you can obtain more of it in a year of depression and low costs if you are all set and ready to go and have persuaded the community that bad times are good times for bringing the city forward, for doing things which everybody has long known ought to be done, for street repairs, sewage disposal and making the old town the best possible place to live in. Of course if the town has exhausted its borrowing power during boom times, it is as badly off as

the individual who used up his credit when business was good and the family well.

One hundred twenty-five American cities during the unemployment period of 1921 expanded their public works as never before. An unemployment survey made by the Association for Labor Legislation during the summer of 1921 showed that many cities had profited by the lessons of the depression of 1914-1915. Many more heeded the call of the President's Conference on Unemployment. The cities sold twice as many bonds for public works as in any previous year and nearly three times as many as the sixteen-year average.

However, the amount of work actually gotten under way during the unemployment period was far less than the amount of bonds sold. The cities did the best they could but plans were not ready, contracts were therefore slowly made, a large part of the bonds were sold too late in the year to assure construction before spring. Great as the effort was, and successful beyond any precedent, nevertheless the lack of advance preparation was too great a handicap wholly to overcome.

NEW BILL PROVIDES A PRACTICAL PLAN

The time to prepare for bad times is in good times. That is the trouble. As Bernard Shaw says, "If we knew that we would live three hundred years we would act quite differently from the short-livers." After the first hundred years or so all of that particular generation would have experienced enough future to be fully persuaded to prepare for more. General consent, that is to say legislation, is necessary before we can plan public works in advance. This is where Uncle Sam comes in. Anything he tackles rivets the attention of every town in the country. Therefore the first move is to persuade Uncle Sam—may he live forever—to plan his public works with foresight and elasticity. He would then find

himself in a far happier state of mind than during the last unemployment period. The President at that time asked the heads of federal departments to press forward their public works. Nothing happened. For some work there were plans and no money, for other work there were appropriations but no plans agreed upon. Only the roads went ahead on a large scale, because road appropriations had been outlined and authorized years ahead, and additional sums were voted.

Here steps in a proposal to prevent the same obstacles blocking action next time—a federal unemployment stabilization bill now being prepared for introduction in the next Congress.

This bill will declare it to be the policy of the Congress to provide authorizations for public works projects and appropriations to be used in the prosecution thereof, at such times and in such amounts as will, so far as practicable, assist to prevent unemployment during periods of unemployment and depression rather than by falling into periods of active employment when their stabilizing effect will be lost to industry. The avowed purpose is:

(1) That labor may be assured of a greater continuity of employment.

(2) That employment may be equalized throughout the cycles of business activity and depression.

(3) That producers of materials and supplies necessary to the prosecution of public works or of articles necessary to the workers employed in the prosecution of such works, may continue production and their employees have available employment during periods of business depression and unemployment.

(4) That the federal government may minimize its competition with private industries by decreasing the prosecution of public works during periods of business activity and increasing such prosecution during periods of business depression and unemployment.

(5) That the federal government may prevent unnecessary dislocation of prices and wages due to such competition.

(6) That the federal government may, in the prosecution of public work, avail itself, to the greatest extent practicable, of the lower costs existing during periods of unemployment and depression.

Four steps will be outlined to insure an orderly procedure which could not be improvised after the emergency is upon us. They are as follows:

(1) Advance planning and preliminary reports on proposed projects by all federal public works agencies.

(2) More complete information gathering by the secretary of commerce concerning production and distribution and the trend of business activity.

(3) Based upon this information, advice to the President as to when a period of cyclical unemployment exists.

(4) Then a special message by the President submitting estimates for public works appropriations.

Some such legislation is imperatively needed to establish the principle that the execution of public works should be governed by the state of general business, and unexpended appropriations regarded as a possible reserve for combatting unemployment.

Intelligent long-range planning of public works, as here outlined, may be regarded—and urged for early adoption by Congress—as a constructive measure for greater stability not only of industry but also of government itself. For a man without a job may act like a man without a country.

BRIEF EXCERPTS

Prompt relief for these depressions is due from the Government's elaborate building program, from similar programs of states, municipalities and counties, and from private building and construction.—*James J. Davis, Secretary of Labor. Monthly Labor Review. 26:722. April 1928.*

Dr. Leiserson calls for the creation of a Federal Labor Reserve Board, which would do for the labor market what the Federal Reserve Board does for the banking interests of the country. Such a board would plan necessary

government, state, county, city and town work over a period of years, withhold it when there is a strong demand for labor by private enterprise, and throw it on the market in times of depression.—*Literary Digest*. 68:16. January 29, 1921.

The *Milwaukee Journal* points out that "there is no panacea for unemployment." Nevertheless, adds this paper, "much can be done"—

"The prosecution to the full of public works of all kinds, city, county and state—this and other things should be done and if they are done, it will not only help to tide over a winter that will be dark to many, but will give an impetus to business in its efforts to climb upward."—*Literary Digest*. 70:10. September 10, 1921.

The report of the Committee on Municipal Organization of President Harding's conference on unemployment said:

The Mayor's committee should try to get the whole community behind the effort to speed up the construction of public improvements. In a period like this there should be the greatest activity in putting up new schools and other needed public buildings, and in necessary repairs and improvements in streets, bridges, sewerage, public utilities, parks and other municipal works.—*Commercial and Financial Chronicle*. 113:1638. October 15, 1921.

The conference urged states and cities and the nation, too, to formulate programs of public works over long periods of time and to concentrate public works during those seasons when private demand is light. This policy is utterly right. Only a persistent habit of drift in American politics makes it needful now to advocate such a procedure. Yet the common practice of local and state governments has been to build much when industry

was booming and to build little during hard times. No one capable of thought defends such a habit. The President's conference may claim the credit for conducting a national campaign of education on this subject.—*William L. Chenery. Survey. 47:107. October 22, 1921.*

Public works were found to be effective for relief, serving as a sponge to absorb jobless workers. Out of 81 cities sending information, 24 had by June 1 provided bond issues and appropriations totalling nearly \$10,000,000 expressly for the purpose of starting or pushing forward useful public works as an aid to the unemployed—a significant showing in view of the many cities reporting a disposition to delay even their regularly-planned public works pending cheaper transportation and construction costs. No city, however, had provided work enough to take care of all who applied—at least half in most cases being turned away. Direct hiring was the rule on city emergency work, as was also working the same hours and applying the same standards of efficiency as is required for regular city employment.—*American Labor Legislation Review. 11:192. September 1921.*

“Prosperity Reserve” is a well planned public works program. The basic practical principles of “Prosperity Reserve” are:

- (a) Each community, local, state and federal administration, should set up its own “Prosperity Reserve” program.
- (b) These should, as far as possible, be integrated and synchronized, so that the stimulus of the reserve should become available as and where needed.
- (c) Each community and administration should plan its public work, “budget” it and make up a program adopted to an economic emergency which can be executed at short notice.

- (d) Credit facilities should be arranged for; bonds sold in advance when desirable; plans and specifications drawn up in advance.—*Otto T. Mallery. American Labor Legislation Review. 18:79. March 1928.*

Colonel Woods specified in a speech at Albany:

The conference figures industry can be stimulated in a sound way through public works. There is a good deal of public work all over the country planned, approved, the money provided, which will be started in the ordinary course of events within the next few months or during the coming year. Much of it can be done during the winter.

"If such public works already approved and necessary for the community to have can be started now instead of later, here again work can be created which now does not exist. Men can be employed who are now unemployed.

"With the full realization of the great need of national economy now the conference recommended that Congress pass an additional appropriation for public roads and the conference further urged that all states try to match this appropriation at once and put the work immediately under contract so that the dirt may be made to fly right off, instead of a good many months later."—*Literary Digest. 74:14. October 29, 1921.*

Increasingly our cities have utilized public works to supply employment in times of industrial depression. During the crisis of 1914-1915 over 100 cities throughout the country made special provision for carrying on public works of various sorts and many thousands of men were thus employed. Although actual distress in the winter of 1920-1921 was far less acute than seven years earlier, public works were pushed forward as accepted policy by means of unprecedented bond sales in many cities, and the state of California by legislative

act definitely adopted a program of long-time advance planning of public works to meet periods of extraordinary unemployment. The President's conference on unemployment has since endorsed the idea and for the establishment of a federal policy legislation is now pending in Congress. It is estimated by Otto T. Mallery that, by adopting a national policy of expanding public works in years of depression and reserving public works when private industry is booming, unemployment in its worst year of each cycle may be reduced by one-third.—*American Labor Legislation Review*. 11 :299-300. December 1921.

A Community Conference on Unemployment was held in Grand Rapids, at which were discussed the many angles of the unemployment situation. The resumption of normal spring activities, such as road-building, street work and the construction of public improvements, it was seen, would absorb nearly, if not quite all, of the surplus labor, but it was imperative that work be given to these individuals in the meantime. The recommendations contained in the following report of the Committee on Resolutions of the Community Conference were therefore drafted, and offer valuable suggestions to other communities which may be struggling with this problem:

1. That all necessary work on public buildings, schools, parks and other public improvements should be started immediately, and that, in view of the unusual situation, a just proportion of all street improvement expense should be assessed upon the city at large.

2. That the state good roads program should be adopted at the earliest possible date, and that a liberal policy should be adopted with regard to additions to our state institutions.—C. R. Hatten. *American City*. 20 :273. March 1919.

The time to think about preventing unemployment is when business is good. Business is good now. Some

day it won't be so good. An industrial depression is a cold gray dawn after an excess of industrial stimulation. The time to prevent the morning after is the night before.

The present volume of private construction is the greatest in history. At the same time the public works of cities and states are also racing under forced draft. More municipal bonds for public works have been sold in 1925 and in 1924 than in any preceding years—about a billion and a quarter in 1924 and in 1925. Highway building by the states is also very active.

It is contrary to good public policy for public works and private construction both to rush pellmell in the same direction at the same time. When they do, the combined wave becomes too great and is likely to topple over of its own weight and smash something. When this tidal wave composed of both private construction and public works subsides, the total fall is of course greater than if the public works tide were coming in as the tide of private construction falls.—*Otto T. Mallery. American Labor Legislation Review. 16:22. March 1926.*

What the Federal Reserve Act is intended to do for finance generally by stabilizing credit, a bill now before the Pennsylvania Legislature seeks to do for the industry of that state by stabilizing employment. This bill provides, briefly, for the creation of public works in time of industrial depression, and is the plan of the State Industrial Board.

The present plan is an effort to provide against those slack times in industry when so many workers go hungry. The Board believes that individual employers can do little to stabilize industry, and are already doing what they can. It is the big employer, government, that must steady the pendulum.

"All the governments (Federal, state and city combined)," says the Board in an appeal to the State Com-

mittee of Safety for support of its project, "spend an average of \$600,000,000 a year on public improvements. Suppose one-tenth of this sum were set aside each year in a reserve fund to be expended in a period of industrial depression. Such periods of depression have come on an average of once in ten years during the last fifty years. If the depression should come the sixth year, this reserve fund, spent in materials and pay-roll for new construction, would employ more than one million wage-earners at average wages for a period of twelve weeks. This would be a tremendous stabilizing force.—*Outlook*. 116:395-6. July 11, 1917.

Public construction is better than relief. The municipalities should expand their schools, street, sewage and repair work and public building to the fullest possible volume compatible with the existing circumstances. That existing circumstances are favorable is indicated by the fact that over \$700,000,000 of municipal bonds, the largest amount in history, have been sold in 1921. Of these \$106,000,000 were sold by 333 municipalities in August. Municipalities should give short-time employment the same as other employers.

The Governor should unite all state agencies for support of the mayors and, as the superior officer, should insist upon the responsibility of city officials, should do everything compatible with circumstances in expedition of construction of roads, state buildings, etc.

The Federal authorities, including the Federal Reserve banks, should expedite the construction of public buildings and public works covered by existing appropriations.

A Congressional appropriation for roads, together with state appropriations amounting to many tens of millions of dollars, already made in expectation of and dependence on federal aid, would make available a large amount of employment.

The conference under existing circumstances, notwithstanding various opinions as to the character of the legislation and the necessity for economy, recommends Congressional action in the present situation in order that work may go forward.—*Commercial and Financial Chronicle*. 113:1530. October 8, 1921.

Several states in 1921, through legislation, expanded their systems of state employment bureaus, with generous additional appropriations. One or two authorized bond issues by cities for the relief of the unemployed. Some made provision for road construction. Unemployment insurance bills were introduced with strong, representative backing in two states, and in Wisconsin the bill was advanced to a favorable committee report in the Senate. Two states on opposite sides of the continent furnished a striking contrast: New York reorganized its labor department, on the ground of "economy," in such a way that a serious blow was struck at the state employment bureaus, and on the same plea of "retrenchment" refused to advance a resolution to create a legislative committee to coordinate all plans for public works, under way or contemplated, throughout the state as a matter of first aid to the jobless; California, on the other hand, enacted a comprehensive law providing for permanent, advance planning of public works by state departments so that useful jobs may be made available at once whenever an unemployment emergency sets in.

Federal action, aside from Secretary Hoover's appeal to the states to help by letting contracts for road building in the Autumn, wherever practicable, instead of waiting until next Spring, was even less in evidence. Our government suffered in this respect in comparison with Canada, where the government, already provided with a well-organized national-state employment service, announced that it will push forward public works

scheduled for next summer so that they will be available during the coming winter to combat unemployment.—*American Labor Legislation Review*. 11:193. September 1921.

Long-range planning of public works was reaffirmed as an immediate issue at the Washington meeting of the Association for Labor Legislation in furtherance of its program for the relief and prevention of unemployment.

Following this meeting the members of the Association's special committee on public works participated in a national conference at Washington January 9, 1924, called by the Federated American Engineering Societies. This engineers' meeting gave full approval to the principle of advance planning of public works and adopted a resolution which declares that "a coordinated functioning of all public works agencies would be able to stabilize business and employment," and that "the advance and coordinated planning of public works is sound economy in that it permits the government to execute less work at peak prices and more work at the lower prices prevailing during dull times.

An Advisory Council on Public Works was created at this meeting on which are representatives of a number of important engineering organizations.

Officers of the Association have also cooperated in the preparation of a program of legislation for introduction in Congress embodying the policy of advance planning of public works.

The principle is steadily finding its way into legislation. A bill to require various state departments to make "special forecasts for extension of public works especially adapted to supply increased opportunities for employment of labor during periods of state-wide industrial depression," which the Association assisted in drafting, has just passed the Massachusetts assembly.

Upon invitation, Otto T. Mallery and John B. Andrews, representing the Association, appeared at a legislative hearing in behalf of the bill. As passed in the lower house, the measure is not as far-reaching as the similar laws in effect in California and Wisconsin.

Advance planning of public works is a policy now firmly accepted by those interested in combating the ever-recurring cycles of unemployment. Further progress by both the federal government and the states depends to a great extent upon insistence by all interested organizations and by the public that prompt action be taken.—*American Labor Legislation Review*. 14:159. June 1924.

Foremost among other means to steady employment, and advocated by practically every student of cyclical unemployment, are the efforts which can and should be made by our public authorities to counteract, as far as possible, the vagaries of private enterprise by a compensatory policy of constructive enterprise and purchase. The largest potentiality of such a policy rests with the federal government which annually handles huge sums, expended on permanent works of one kind or another and upon other enterprises which vary in urgency and can, therefore, be subjected to a scheme under which more employment is furnished at times when private enterprise is slack and less when it is busy. The proposal, briefly put, is that public expenditures on permanent improvements be planned on at least a ten-years' program, the exact amount of such program undertaken in any given year to be determined with regard to the general state of employment, but without deviation from established principles of public administration. In each normal year a certain variable percentage of this program would be set aside as a reserve to be added to the usual allotment in times when unemployment threatened to be abnormal. If approximately 10 per

cent of the annual expenditures on permanent improvements were so set aside, there would be available in years of business depression a potential employment reserve which would go far to offset the decreased employment offered by private employers.

This policy is sharply differentiated from that of "employing the unemployed" on relief works. An examination of municipal expenditures on construction, equipment, alterations and repairs of properties, street and park improvements, paving and re-paving of streets, street and park openings, and other similar items, demonstrates that the popular psychology which accompanies trade crises and depression (and is to some extent responsible for them) also affects public authorities. "Economy" administrations are apt to arise when trade is bad, not when there is a shortage of labor, when contractors are haughty and when materials are difficult to obtain at any price. [Otto T. Mallery, one of the industrial commissioners of Pennsylvania, in an article in the *Survey* for January 8, shows that with only the exception of his own state this policy of planning public expenditure on permanent improvements has not been adopted in the United States. He advocates a federal emergency public works board as a special bureau of the Department of Labor, upon whose advice the President would declare a period of unemployment to be existent or threatened. The new body would then give guidance to states and cities in getting ready for extraordinary public works, while the federal government itself would, with the sanction of Congress, take in hand works for flood prevention, reclamation and military roads, planned for in previous years and provided for in the budget of previous years. The energetic execution of large highway projects in Great Britain, at the present time, in large part at the cost of the government, has been made possible by the accumulation of funds and preparation of plans for years prior to the

war. In France and Germany municipal improvement plans, financed from annual budget appropriations and held over in good years for execution in years of industrial depression, have been an integral part of public policy for decades.—Editor.]

A city administration is efficient to the extent to which it is able accurately to classify the different needs of the city in accordance with their relative importance to the public welfare, and to plan public action with a view to supplying such needs in the order of their urgency. Once such a plan is made, it will be seen that in addition to permanent improvements which are so urgent that they must be carried out as soon as authorized, there are many others which, in the interest of economy and of the public welfare, should be put into operation in accordance with:

1. Their respective urgency;
2. A general scheme under which each would be carried out so as to become available for use the moment it was finished (to avoid waste from loss of interest on delays);
3. The general money rate and market cost of labor and materials;
4. The state of the labor market and the rate of unemployment prevailing in the city.

These are all legitimate considerations which should go into the planning of public improvements. If they do not enter and a mere rule of general negation is applied, the administration has failed to take account of all the factors making for efficiency in promoting the public welfare. Of course, no precedence of employment considerations over the others just mentioned is claimed; a statesmanlike policy must include them all.—*B. Lasker, editor. Report of Mayor's Committee on Unemployment in New York City. Survey. 45:supl. 6-7. February 5, 1921.*

NEGATIVE DISCUSSION

SURVEY OF LABOR SITUATION BY U. S. DEPARTMENT OF LABOR SAYS COUN- TRY IS UNDULY ALARMED¹

In a survey of the labor situation, by Francis I. Jones, Director General of the United States Employment Service of the United States Department of Labor it is declared that "the country has been unduly alarmed by exaggerated reports that have been widely circulated stating that a serious unemployment situation exists." In admitting that "there is no question that there has been, and that there is still, some unemployment apparent" it is added that "it is also true that no matter how prosperous the industrial condition of the country may be, there is more or less unemployment." According to the statement issued in the matter on March 20 "the horizon is clearing, and the employment outlook is encouraging. The iron and steel industry, long recognized as a reliable barometer, has shown a definite improvement in both production and employment. Orders for structural materials, railroad cars, rails and other equipment, not to mention the increase in the demand for automobile materials, practically assures a steady increase to the forces employed in this basic industry. In view of this there must follow a corresponding increase in allied plants and factories." The statement also says:

Students of economics who are recognized as authority on this subject (unemployment) estimate that even in our most prosperous times there are always a million or more workers

¹ *Commercial and Financial Chronicle*. 126:1731. March 24, 1928.

out of employment, some voluntarily and others from involuntary causes.

Many factors enter into the reasons for unemployment, and many theories have been advanced for providing constant employment for the wage earners of the country. In a country where more than 40,000,000 people are gainfully employed, it is only reasonable to expect a certain volume of unemployment where industry is widely diversified and where employment is affected by seasonal influences.

For the past few years the Department of Labor has kept in touch with the increasing installation of the labor-saving machinery which has undoubtedly displaced a number of workers. It is also to be observed that in November and December last production exceeded consumption. Since then, however, consumption has increased. As the prosperity of the nation depends upon its consuming power, this is important.

It is stated on good authority that the American people consume about 2 per cent of their total production. Drops in this rate of consumption are always temporary, but while they continue, the result is generally a corresponding rise in unemployment. With consumption resumed at the normal rate, unemployment usually shrinks. This may be expected now.

The textile industry has been in an unsettled condition for the past few years, and there is some hesitancy in forecasting any immediate improvement, as its prosperity depends largely upon the arbiters of fashion. The boot and shoe industry is not affording full employment to the available workers of this class. Many of the basic industries, by mass production, are producing a greater volume with fewer employes today than 5 years ago.

What may appear a strange paradox is nevertheless a fact. There is more unemployment among unskilled laborers and the so-called "white collar" workers than any other classes of workers.

As to the employment situation in New York State, based on reports from District Director Edward I. Bolton, 124 East Twenty-eighth Street, New York City, the Employment Service according to the New York *Times* reports as follows:

The downward trend in manufacturing activity and employment noted in January continued in many industries during February and there was considerable unemployment apparent, particularly in the larger cities. However, the declining trend in employment has been checked in several major lines, and a slight but gradual increase in employment was apparent at the close of the month.

Winter weather was an important factor in increasing the unemployment. The seasonal recession in building and other

outdoor construction work affected a large number of skilled, semi-skilled and unskilled workers. This temporary reduction in building activity has adversely affected production and employment in the miscellaneous building-material industries.

A decline in railroad freight traffic caused some temporary layoffs in the transportation lines, railroad repair shops, yards and shipping terminals. Skilled laborers, except building trades men, were fairly well employed, and a slight increase in the demand for this class of labor was noted in several industries. The iron and steel mills are gradually increasing operations and forces, production in some of the automobile factories and accessory and assembling plants is steadily moving upward and large increases in employment were noted during the latter part of the month and a further increase is expected during March.

There was a slight demand for farm labor. The usual spring agricultural activities will absorb a large number of workers in March. Large building and construction programs are planned for release within the next thirty to sixty days, which will furnish employment to thousands of skilled and unskilled workers.

PUBLIC CONSTRUCTION AND CYCLICAL UNEMPLOYMENT²

PRACTICE OBSTACLES

Although the maximum per cent of unemployment that would have been prevented by shifting public construction in this fashion has been stated in the foregoing analysis, the following practical conditions, not heretofore mentioned, might make the actual results different from the anticipated:

1. The unreliability of business forecasting.
2. The difficulty of getting city officials to act quickly.
3. The appeal of public improvements as a campaign issue.
4. Municipal financing problems.
5. The effect of the sale of municipal bonds upon the supply of credit for private industry.
6. The difficulty of forecasting civic needs for improvements.

² By F. G. Dickinson, Ph. D., University of Illinois. In part. *Annals of the American Academy*. 139:199-202, 204-7. September 1928.

7. The tendency towards inefficiency in government construction.
8. Geographic and occupational shift of workmen.
9. Trade union restrictions on membership in the building trades.

The first objection to the plan is the difficulty of accurately forecasting fluctuations in employment. It is easy to look back over those seven years and subject public officials to criticism for not letting contracts during months of least employment, or when the costs of construction were lowest. It is easy to blame the persons responsible for spending the tax-payer's money in 1920 when it would have possessed much greater purchasing power the following year. Such criticism is just only in so far as it could have been made at the same time the misjudgment occurred. Was it possible for any well-informed student of business cycles to have prophesied in 1921 just when the costs of construction, for example, would reach their lowest level? Would it be possible today to predict the probable course of this cost index during the next few years with a view to initiating construction at the most advantageous time? Such insight into the future is beyond the realm of the finite intellect of mankind. It was not possible for the well-informed in 1920 to forecast the trend of prices in the following years, and the same statement can be made regarding employment, interest rates on municipal bonds, the volume of public construction and the wages paid to factory wage-earners.

This statement is made with due regard to the aims, hopes and accomplishments of the various agencies making business forecasts, whether they be the private or academic type. Business forecasting may some day become reasonably accurate, but during this period of investigation, no one can be accused of political turpitude for failing to adjust public construction to the devices of these various forecasting agencies.

PLANNING PUBLIC CONSTRUCTION

The problems in chronological order are first, to withhold contracts until the state of employment becomes less favorable, and second, to build in advance. Advancing or accelerating the letting of contracts is the more difficult project because it not only requires knowledge of future construction costs, but also of the future need for certain specific public improvements.

It would be necessary for some agency to advise public officials when they ought to sell bonds and let contracts. It seems possible to fasten this apparently onerous burden upon a first class clerk in the Bureau of Labor Statistics at Washington. His duty would be to watch the index of employment and immediately inform the numerous public officials throughout the country whenever the index approached 5 per cent above or below the average of the preceding years. The per cent and number of years used in fixing the average would be determined by legislative discretion and the experience of the future. Five per cent might be conducive to excessive haste, thereby increasing or decreasing the volume of public construction too soon. On the other hand, it might be found that the corrective influence of public construction should have been invoked before the index changed 5 per cent.

The probability of this last consideration seemingly increases when one considers the second practical obstacle—the delay that would doubtless be encountered after the Bureau of Labor Statistics had broadcasted the news. The wheels of public administration turn slowly. Frequently six to nine months elapse between legal authorization to build and the letting of the contract. In the meanwhile conditions might have become greatly changed for better or worse. Before this whole program could function effectively the local powers would have to be able and be disposed to act quickly. Herein lies what appears to be the insurmountable barrier, especially

because action on the part of the federal government as regards its own construction is so unimportant as compared with action by local and state officials. From 1919 to 1925 the construction performed by the federal government constituted less than 2 per cent of the total public construction.*

The crux of the problem is to get quick action by municipal, county and state officials. This means preparation which requires that the preliminary steps in a large undertaking have already been taken. The authorization to build should have been secured in advance from the proper parties and, as nearly as possible, specifications, plans, materials, etc., should have been agreed upon. With these arrangements made in advance the usual delay might be cut down to three or four months.

POLITICAL INFLUENCE

But how could this willingness to act be secured? This presents one of the greatest obstacles. Ordinarily, the persons controlling the construction policy are subject to the constituency through the ballot box. In order to hold office they must please the citizens who are always disgruntled about taxes, and especially so when business conditions are adverse. It would be political suicide to embark suddenly upon an expensive program of improvements accompanied by rising tax rates. The next election would usher in a new administration pledged to a policy of tax reduction.

There is another sense in which public improvement programs become the "football of politics." Political campaigns have been waged over hard roads, sanitary sewers and city waterworks. The successful candidate convinced the people that the improvement was or was not needed, as the case might be. It is hardly possible to expect that politicians would be willing to give up this "issue" and let the ebb and flow of construction be

* *Engineering News-Record*. January 1926, p. 45.

determined by such a cold device as the index of employment; for they may have a vested interest in it.

Before this adjustment could take place, it would be necessary to improve the index itself. This study has been confined to employment in factories, the only industries which the Bureau of Labor Statistics watches closely; although recently data on employes in agriculture, transportation and mining have been added. The index would necessarily have to include all the important industries. It should be weighted according to the number employed.

Assuming that the various public officials and their constituencies were willing to adjust their program of building to the general state of employment, the road is not yet cleared of practical obstacles. How would these projects be financed?

As mentioned before, both taxation and bond issues would be employed. In those political divisions where improvements are financed out of current tax receipts, a sudden expansion in public construction would incur great hardship. Presumably, taxes would have to be increased to meet this expansion, or the city might switch over to the bond issue method, which would make bond selling harder for other cities, thereby aggravating the situation. It is doubtful if many city councils would want to increase taxes sufficiently to pay for the entire cost of this new construction, even if the assessed value of the city property and legal limitations would permit. In fact, a city using the former method usually tries to spend about the same amount every year.

DANGERS OF EXPANSION

Once the program of expanding construction had started and the idea had been universally approved, another danger would appear—extravagant expenditure. The needs of any community are not capable of exact

measurement. It might be desirable to pave every road in the township, but not necessary. But generous public officials and interested contractors might properly urge the paving of all the roads in the township because it would afford employment. At the end of a period it is easy to look backwards and suggest that the public works which were built should have been erected at some other time during the seven years. Such an analysis starts with a certain volume of construction and proceeds to point out the best possible allocation with reference to the number of jobless workers. It would have been much more difficult to reach such a decision at the time suggested. Such a program of public construction would incur over-expansion by encouraging well-meaning, sympathetic officials to build and keep on building. Of course, this danger would not arise where a program is planned and adhered to over a period of years. But such foresight and budgeting is not always possible.

With this dangerous excess of construction, inefficiency might arise. Public works might degenerate into public relief works of the type Louis Blanc advocated in 1848. The work required might be slowly diminished and the general standards of efficiency lowered. If the work is submitted to contractors for estimates and the lowest bidder is awarded the contract, the problem of keeping down expenses is shifted to the contractor. It then becomes to his economic interest to see that there are no wastes in production, hence the question of efficiency rests upon other shoulders.

OBJECTIONS TO REMEDY

Opponents of this proposed remedy for cyclical unemployment have put forth another objection. Would the contractor employ the jobless workmen or would it mean that his regular force would get in more days during the year or be paid for overtime?

According to Felix Morley,⁴ productive efficiency has been maintained at a high level under the German plan. Obviously, the lack of national employment agencies makes such a scheme impractical for this country.

Several students of unemployment have emphasized the occupational and geographical shift of workmen which such a plan would require.

Although the geographic shift would not be very difficult, the change in occupation presents several serious problems. Would it be possible to turn clerks into hod-carriers, clothing cutters into teamsters? How would restriction of membership in trade unions affect the situation? The problem is made more difficult by restricting this study to employes in manufacturing plants. If public construction was used to absorb unemployment among factory workers only, the shift to new occupations would not be easy.

This brings up the question, what per cent of the appropriations for public works is going into the pockets of local labor? There is no conclusive answer to this question. In Philadelphia where wage rates are high, 34 per cent went to local laborers.⁵

Trade unions are very careful about letting membership increase too rapidly. If the public buildings erected during a depression year required more men than the local union could supply, pressure would be brought to bear upon the business agent to let other men join the union. Probably the officers of the organization would insist upon letting the old members work overtime, thereby obviating the necessity of increasing the membership. Perhaps the local leaders might be induced to give temporary membership or work with non-union men for a short time. Even some modification of the German plan might be used. This obstacle is small but hard to overcome. Perhaps the trade unionist would make concessions because this proposed scheme is urged in the hope of bettering the laboring classes.

⁴ Morley, Felix. *Unemployment relief in Great Britain*. p. 186.

⁵ This figure was obtained through correspondence with the editor of the *Engineering News-Record*.

CONCLUSIONS

It is difficult to determine the net effect of this shifting of construction out of good years and into lean years upon the cost of construction. The period of greatest unemployment preceded the months of lowest wages and prices of materials. Some of the shifting encountered increased cost. Taking the period as a unit, the saving in cost would be only 2 or 3 per cent at the most. This conclusion does not concur with the arguments advanced by champions of this economic reform, who claim it would greatly reduce the cost of public construction.

This saving of 2 or 3 per cent might have been entirely offset by the loss involved in selling bonds during the bad years when interest rates were unfavorable to the borrower.

UNEMPLOYMENT ANALYZED*

An analysis of the present unemployment situation by Dr. H. W. Moorhouse, president Brookmire Economic Service, Inc., New York, was the feature of the luncheon meeting on Friday. Dr. Moorhouse estimated the number of persons unemployed through lack of economic activity as of March, 1928, at 2,632,000. Although this figure is considerably higher than the 1,466,000 of unemployed which he estimated for 1927, it is considerably below the 3,653,000 who were forced into idleness in 1921. He saw no immediate economic danger in the situation and stated that conditions had probably improved somewhat since March, when the last estimate was available.

Dr. Moorhouse derived the above figures by assuming a number of years over a period of the last nineteen

* *Iron Age*. 121:1250. May 3, 1928.

as periods of full employment owing to the high level of business activity. These years were 1910, 1912, 1917, 1920, 1923 and 1926. The percentage of total population employed was computed for these years and percentages for intervening years interpolated on a straight line and used for computing full employment for intervening years. Actual employment for each year was computed from data taken from a number of official and unofficial sources, and according to the speaker, enough actual figures were obtained to secure a definite index of activity. Unemployment was taken as the difference between the probable maximum employment and actual employment during the year. It does not allow for numbers idle during years of exceptionally high business activity.

ADJUSTMENT IS PRINCIPAL CAUSE

Dr. Moorhouse pointed out that, although it is true that a certain number of workers were annually thrown out of employment on account of the so-called mechanization of industry, economic adjustment invariably followed which enabled these persons to find a livelihood in other lines of work. The fact that this adjustment usually followed slightly behind the actual mechanical progress of industry, he declared, would account for a certain normal unemployment, an average of 874,000, or 2 per cent, as computed over a nineteen-year period. A more basic reason, however, for such periods of unemployment as we are now passing through is the business cycle, and so long as the business cycle exists the number of unemployed will fluctuate with it.

Although it is possible to alleviate unemployment to a slight extent by stimulating activity on public works and other projects, Dr. Moorhouse stated that he did not believe this would ever lead to any definite solution of the problem. When appropriations have been made and

plans prepared it will be impossible to await a period of unemployment before undertaking a project and likewise work of the sort cannot be created indefinitely at such times.

NATION-WIDE FIRST AID FOR THE JOBLESS ¹

Editorial approval of the Harding Conference's emergency program is intermingled with expressions of disappointment because it doesn't go deeper into the problem. "It was appropriate," remarks the Socialist (New York) *Call*, "that fifty jobless ex-soldiers stood on the sidewalk and sang, while the report was being read, 'Wait Till the Clouds Roll By'." It is "admirable as far as it goes," but "inadequate," thinks the New York *Globe*, which says that "the Administration cannot wash its hands of responsibility for the unemployed and piously ask the states and the cities to carry the full load." The conference has "put the cart before the horse" in treating unemployment as a local matter, in the opinion of the New York *Journal of Commerce*. Its proposals offer nothing for the betterment of underlying conditions, adds this New York paper, which goes on to ask:

Why regard unemployment as a casual or incidental feature of economic disturbance and as such to be cared or provided for on a sporadic basis? Why not regard its existence as calling for the most thorough probing of our tax, tariff and railway problems with a view to establishing the cause and applying the remedies for present evils?

"The President, after gathering up the problem from the localities and taking it on to Washington for examination, is now passing it back to the localities just as it was," remarks the New York *World*; and the Minneapolis *Minnesota Star*, after perusing the report, remarks cynically that "nothing is either settled or unsettled" by it. Theodore H. Price, writing in the New York *News*

¹ *Literary Digest*. 71:6-7. October 15, 1921.

Record, predicts little result from the emergency program because "the real trouble is the overgrowth of our city population, and unemployment will probably be a recurring phenomenon until people are driven back to the country."

"The measures recommended are intended only to suggest ways of meeting a swift emergency," notes the *New York Globe*. And in the *Washington Post*, which is sometimes spoken of as "semi-official," we read:

The Post has previously stated that the unemployment problem cannot be solved by Congressional enactment or by executive order. To that statement it may be added that no formula devised by the conference will automatically cure the situation. Only an internal remedy will prove effective.

The practical question which presents itself to the country is to find employment for 2,000,000 people who are idle and want to work. There are now, according to the statistics of the Department of Labor, about 12,000,000 persons engaged in what are known as productive industries. Thus the problem narrows down to this: Put another man or woman at work for every six persons now on the payroll.

It can be done if the influences in the nation are coordinated to that end. When each community strives to excel in reducing its idle contingent, the results will quickly show.

Turning to Mr. Hoover's *Washington Herald*, we find the problem presented from a somewhat different angle:

The bald fact is that there are the 4,000,000 idle. That to treat this as some one's fault, or as a problem for charity, or as a local condition to be met by localities as individuals, is unworthy our Americanism and in direct contravention of our governmental and social system, and of all that is distinctly American. The one fundamental American right is to work, to be self-supporting, to have an economic chance and equal industrial opportunity. Political opportunity and economic opportunity are correlatives. Neither can long exist without the other without leading to social upheaval, or social collapse. Where either is denied property rights are in jeopardy. . .

It is suggested that manufacturers, wholesalers and retailers reduce prices. Why should prices have advanced in the last month? Certainly raw materials and labor charges cannot be held responsible for this; and probably nothing would bring a greater measure of relief than reduced prices to induce broader buying. Every item in all this shows the national character of

the situation and that it can be adequately met only by concerted, national, cooperative action involving every element of our economic life.

The Herald takes issue that Congress should not be appealed to in the emergency. There is much Congress can do and should do, not as a bonus, but as the opposite of a dole. If ever there was a call for real statesmanship in America, it is now to bring a wise, constructive, economic program, not a hodgepodge of favor or privilege, but a policy which will put substance under equal economic opportunity and assure a man's right to be able to support his own family in his own home.

The most conspicuous defect of the emergency report, in the opinion of many editors, is that it ignores the question of wage reduction. "The basic need is that the prices of all essential commodities shall be reduced, and the major factor in prices is wages," says the *New York Times*; and the *New York Herald* declares that "the wage question is the very heart of the unemployment question." If the conference is to get anywhere it must face the truth regarding the need of wage cuts, avers the *Newark News*, which continues:

If Mr. Gompers or anybody else thinks that it is within the power of any thirty-eight conferees at Washington to put all union employees back at regular work at union wages in times like these, he is an optimist indeed. Organized labor clings tenaciously to the idea that in the liquidation period it alone can escape the deflation process. But it clings in vain. On the other hand, it must be admitted that there are plenty of employers eager to make this the occasion for pounding wages down. Between the two there is a golden mean of readjustment, and an unwillingness by either side to seek it obstructs the major object of the conference.

Perhaps the conference as a whole will go into this question of creating employment by lowered wages, irrespective of the attitude of the committee Mr. Gompers seems to have dominated. It cannot do otherwise and be true to its trust.

"Capital, as represented by business and industry in the National Unemployment Conference, is making a far better showing than labor in getting at the problem," declares the *Philadelphia Public Ledger*, which points out that while business and industry admit that "it is time to take more losses and get back to normal," labor "lags,

waiting for some advantage." It is now labor's turn to offer its contribution to the solution of the problem, thinks this Philadelphia paper, which concludes an editorial headed "What Will Labor Do?" with the following challenging paragraphs:

Senator Nelson declares that workmen are themselves responsible for much unemployment, because they will not consent to a readjustment in wages. He mentions the rail workers; but he might have included the building trades and a dozen others. There is an impression abroad that thousands out of work might be working if they would accept the class of work offered and the wages that can be paid.

No matter how hard the nation may try, it cannot give back the war-time jobs at the war-time wages. The emergency measures are temporary stimulants; "shots in the arm" to rally a weak patient. If the patient goes back to his old ways and excesses, he will again collapse. With the best will in the world, industry cannot pay war-time wages or anything like war-time wages. If the unemployed are waiting for this, they are likely to be "unemployed" for a long time.

What will labor do about it? Business has recognized an emergency and admits its share of the responsibility.

Will labor recognize and admit its share of the emergency and the responsibility, consider and accept the necessary reductions and take the road to meet emergency half way? If not, the success of the conference and its plans, temporary and permanent, can be no more than half-success at best.

TO RELIEVE UNEMPLOYMENT BY LAW*

The Senate developed unexpected opposition to the Kenyon Unemployment bill, S-2749, and recommitted it to committee. It is not difficult to be sympathetic with this feeling of caution.

The title of the bill is: "To prepare for future periods of cyclic depression and unemployment by systems of public works." It provides that the heads of executive departments may prepare surveys and plans for proposed public works and projects before the appropriations are available, in order that work may be commenced immediately the appropriations or funds are ready. It

* *Management Engineering*. 2:188. March 1922.

charges the Secretary of Commerce with the responsibility of preparing monthly reports to show the approach of business strain or industrial depression. It authorizes the heads of executive departments, with the advice of the president, to postpone the date of commencement or to retard the progress of public works in order to prevent a further rise of the cyclic wave of business depression and the resulting wave of unemployment; and, further, to enter upon a program of public works within the limits of available appropriations in order to counteract an impending period of industrial depression and unemployment.

If this bill becomes law it will be an attempt "to make work." Such a process, whatever its application, is always uneconomic whether done by a private or public concern. Therefore this bill should be viewed with caution. It may be and undoubtedly is uneconomic, although it may be good public policy nevertheless. To show this distinction: War is always uneconomic but is often a necessity for public safety.

But the bill involves not only a dubious process but also an attempt to prognosticate depression. Governmental fostering of such a process is possible, though the attempt will be uneconomic; a governmental attempt to prognosticate the ups and downs of industry is a practical impossibility.

The purpose of the bill is to prepare for future depressions and unemployment. Its remedy is to provide work. But the proposition is not so simple. (We cannot say that depressions are caused by the unemployment of labor, nor that labor is in a state of unemployment because there is a depression.) That is, there is no one-way connection between depression and unemployment, neither is there necessarily one between depression and public works.

The principal means offered by the bill to decrease unemployment is to postpone public works when a

period of depression is forecast and to push forward a maximum program when the depression arrives. This proposal seems to consider that the end and aim of public works is to provide employment. We have always believed, however, that a public work was undertaken because it was needed for use. Presumably to put it off would cost something and this cost might be more than the gain due to lower labor costs during depression and might be more than an offset to the improvement due to supplying an amount of work.

X Furthermore, a depression cannot be prognosticated within workable limits. To forecast it would be far more difficult than to forecast the weather. The latter we can accurately measure when it arrives; for the former we have no standards. Therefore individual peculiarities would play an important part. Of what value is a statement as to temperature based on feeling alone? What is hot to an Eskimo would probably be cold to a Sambo. Any group of men who attempted to forecast an impending depression would include the "hot" and "cold" types. What, then, are the probabilities of securing even an approximately accurate prognostication? (Again it can be doubted if any such guess coming from a government source could be kept free from the influence of politics.)

ROWNTREE'S SOLUTION OF SOME INDUSTRIAL PROBLEMS⁹

The question of cycles in business, the recurring periods of unemployment and depression are coming in for more attention than ever before. The head of a large concern which spends annually a big sum for advertising suggested recently that more constructive thought should be given the subject. He said:

⁹ Based on an interview by Roy Dickinson with J. S. Rowntree, President, Rowntree & Co., Ltd., York, England. *Printers' Ink.* 117:57-8. December 8, 1921.

In the old Bible days they had a depression every seven years, and the ratio seems to hold good even now. It would appear that we should have made more progress than that in a couple of thousand years and more. No matter how well we plan our production, how well we sell, how consistently we advertise, our company is vitally affected every time a slump in business arrives. Our product is sold primarily to factory workers, so general unemployment hits us every time it occurs.

[Unemployment is, of course, only one phase of the business cycle. It has been called a symptom, an effect and a cause of depression, depending entirely on the point of view of the writer.] A concern which has given thought to the problem and has worked out an interesting plan to mitigate the loss of natural income due to unemployment is a British firm that makes an advertised brand of cocoa and chocolate.

The Rowntree Cocoa & Chocolate Works at York, England, occupies 222 acres and employs 7,000 people. The head of this great organization, J. S. Rowntree, has been in America for several months making a survey of that important element in modern factory management, the human side of engineering. He has addressed great gatherings of business men in all parts of the country east of the Mississippi, on the subject of industrial relations. He has been advisor to Premier Lloyd George on the many plans which England is putting into effect to help solve the unemployment problem. There has not been a general strike in the Rowntree plant in over sixty years, and it has been stated that the labor turnover is 1 per cent a year! Just before he left for England, I secured from Mr. Rowntree some of the actual plans he has worked out in his own industry and some of his ideas which he believes would help the international situation in that ever-present problem—industrial relations. He said:

This whole idea of unemployment and the recurring cycles of business depression has been regarded by us employers with far too much indifference and by the workers with far too much of the spirit of fatalism. There seems to have been a great reluctance on the part of anybody to look the facts in

the face and come to grips with them, with an idea to remedy the recurring evil. Before I tell of some of the actual plans that are being worked out in our own plant at York, I may mention some of the many schemes suggested for preventing unemployment on a national scale.

GOVERNMENT HELP IN "LEAN YEARS"

First, we have the suggestion that the volume of unemployment might be lessened if the Government would hold up orders for goods and services when trade is good and place them when it was bad. This argument has been based on the theory that it would be possible to regulate the work entailing a large wage bill on such things as building post-offices, schools, barracks and the like. This work could be held over in years when trade was going strong and booming, and given out when it was depressed; it would, of course, tend to steady the demand for labor. But such a policy would affect only a limited class of workers, and would not help among such trades as textile workers, coal miners, engineers and a great many other industries. It is, therefore, only a partial solution of the problem.

Then there is the idea of additional work by local government bodies. They, of course, have to fall back on plans such as building new roads, repairing existing roads, laying out parks and reclaiming waste land and such building work as making new harbors and the like. The practical difficulties in the way of these plans are that they often, in the form of relief, lower the morale of workers engaged upon them.

Regulation of the general labor market has also been suggested. The idea consists briefly in having the Government build up centralized working reserves instead of having men hang about factories, waiting until they are wanted. The system of labor exchanges is undoubtedly sound, but they must be manned with well-paid and highly capable people, and our experience in Great Britain would seem to prove that more responsibility for the local management exchanges should be placed upon employers' associations and associations of workmen.

MAN WITH TWO TRADES IS FORTUNATE

Another method of reducing the volume of unemployment is to give men who usually have but one trade in industry another occupation upon which they may fall back when their ordinary occupation fails. In a country where cheap workmen's trains enable them to live in the country, although they work in the towns, this plan has been successful. The bricklayer of Brussels, for example, while he follows the trade of laying bricks in the summer, does not come into town so often in winter when trade is scarce. He finds that he can occupy his time better then, working on the cultivation of his own land, which his wife and family take from him during the time in which he

is engaged in his own primary job. This sort of a plan, however, is only workable in a country where the transport system is highly efficient and adequate, being at the same time cheap enough to enable the workmen to do this with profit. My investigation would show that there is less unemployment at the present time in Belgium than in England, for example, and I believe that this is due in some measure, at least, to the transport facilities which have enabled workmen to distribute their work as I have outlined.

Some of the principal methods of preventing unemployment that have been suggested are surely worthy of careful study, and a great deal more imagination on the part of employers than has previously been given would also help under the circumstances. There will always be a certain amount of unemployment, however, even when all the schemes have been tried which have been suggested, because the volume of employment depends to some extent on the harvests, which are beyond human control, and a certain reserve of workers seems to be necessary to the functioning of industry.

The question of unemployment insurance has often been considered. Admitting that we would always have a certain number of people out of work, with a consequent lack of income, if it were possible, without making the cost prohibitive, to insure the wages and purchasing power of men and women in industry, it would undoubtedly be a good idea for everyone. Yet no one, with human nature as it is, would suggest that a worker should receive as much when not working as when working. If by some method we could take away the constant fear on the part of the workers of unemployment, it would undoubtedly meet with favor, due to a better morale and less chance of working themselves out of a job by increased production. It is my idea that the benefits accruing from unemployment insurance should provide all workers with half of the earnings which they earn when working full time. In addition to this, it would seem that a married man should receive 10 per cent of his earnings for a dependent wife and 5 per cent for each dependent child under sixteen, with a maximum of 75 per cent of his average while working.

Let us assume that this would be a good plan for industry. The question then comes up: Who should pay the premium? A good case can be made out for placing the whole burden of the scheme upon the employer without any upon the laborer. Through our present system, the man who furnishes the capital, says in fact, to the worker: "Let us cooperate in an industrial enterprise—I will find the capital and you provide the labor. The first charge of our joint enterprise shall be the payment to you of wages and salaries in accordance with the current scale. Then will follow the payment of all other charges incidental to the enterprise. After all these have been paid, if there is anything over, I will take it in payment for the contribution I made in finding the capital." The man who

furnishes the capital, since he takes the risk, is justified today by common consent in taking the profits. Still one of the great risks in industry is unemployment in periods of depression, so that if all the risk of this is borne by the worker, the man who furnishes the capital is not exactly fulfilling his part of the bargain. Yet it would seem far better that both the workers and owners should consider the plan as a result of cooperative effort between them. The total cost might be distributed somewhat as follows:

Premiums of $2\frac{1}{2}$ per cent of the wage bill to be paid by employers, which would produce about £37,000,000 in England; and 1d. for every 10s of their wages to be paid by the workers, producing £15,000,000, and £4,500,000 a year to be paid by the state, which would also bear the cost of administering the scheme.

THE ROWNTREE METHOD

Whether such a plan as I have outlined could best be administered by the state or by entire industries or by individual factories, is a question which has much room for argument. But individual factories need not wait to provide unemployment benefits for their employes until some national plan is worked out. The plan adopted by our own firm is working out well. We, at York, have promised to set aside 1 per cent of our wage bill in addition to the contributions we now make under the national plan. We guarantee to continue to set aside this 1 per cent until the fund amounts to 5 per cent of the total wage bill. A large number of our employes are members of the trade union, which, at a contribution of two pence per week, provides unemployment benefit of 6s a week. Therefore, at the present time in England, independently of our scheme, the workmen get 21s a week when unemployed: 15s from the state and 6s from the trade union. Our figures show that the premium of 1 per cent of our wage bill should be sufficient to bring these benefits up to about half earnings for our workers, plus the 10 per cent for a dependent wife and the other benefits as enumerated above.

The unemployment insurance in our plan is administered by a committee appointed by the workers. We guarantee the premiums, but therefore do not guarantee the benefits. If the plan were abused, the premium might not be enough to pay for the benefits. All of our workers, therefore, have a real interest in seeing that the plan is not abused. If they did, at the time of unemployment, they would find the funds depleted so that they would not receive their full benefits.

It is interesting to note that the entire match industry, through cooperation between workers and owners, has adopted a plan somewhat like the one described. I have not dealt with emergency measures necessary to cope with the present situation, because work which is suitable in one country or one plant is impossible in another.

While Mr. Rowntree, therefore, offers no general panacea for unemployment he is adopting unusual plans in his own industry. Last summer he did a thing which put a great many men to work and showed that he believed in going after business hard when trade was dead. To back up his national advertising in Great Britain, it was decided to employ thousands of ex-service men to distribute samples from house to house so that all consumers in Great Britain, as far as possible, would be able to try for themselves the package which had been advertised. Free samples of packaged cocoa were left at every house within prescribed areas. Service men were paid a certain amount a day; they were given strong canvas bags, and traveling expenses when required to go outside of their own territory by railroad. When a housekeeper was not at home, the sample package was pushed into the letter box.

It has been officially stated that at least one member of every family of the 12,000,000 or more living in the British Isles drank Rowntree sample cocoa either for breakfast or before going to bed for the night as a result of this gigantic sampling campaign. Only one package of cocoa was allowed each household. The unemployed men who were given this job worked at least eight hours a day for the three weeks the campaign lasted. Each night they reported in, and drew new samples as required. In each package a booklet was enclosed, showing varied and diverse uses for Rowntree cocoa. Policemen, firemen, miners, textile workers, the athlete and traveler—all were represented using a cup of Rowntree's cocoa. Its nourishing properties in hot weather and in winter, when extra fuel is required, were also covered in the booklet, and an effort made thus to take the product out of the seasonal class.

A special drive was made on the children by means of bright colored posters representing the "Cocoa Nibs," a boy and girl drinking cocoa in all sorts of circumstances.

A series of advertisements known as the adventures of the "Cocoa Nibs" was run in the general press, so that attention was concentrated on cocoa at the same time the samples arrived in the homes.

Moreover, a great many ex-service men who were out of work were used by Rowntree to check up on his dealer helps. The same men who delivered the samples called on the local retailer, checked over the enamel lettering of his sign, fixing it up and rearranging it.

Here was a practical example of making work which was useful, at a time when it did the most good both to the concern and to the men who needed employment.

UNSELFISH SERVICE THE MANUFACTURER'S WATCHWORD

And yet the man who does these extremely practical things in his own business and who has proved that his sort of management can successfully build a great industry, says some things which a certain type of manufacturer would label impractical or idealistic. He says:

We must regard all industry primarily as service. We are here not primarily for profit but to serve humanity, and the profit we make belongs to the whole community. Capital is entitled only to a fair return at the lowest rate at which it can be secured in the market in terms of particular risk in the given enterprise. Brains are entitled to their share in the profits and labor its share. The big problem is how to share them. Labor, it is true, is often ignorant. It lacks experience. But we employers as a class are so stupid, lacking so much both in common sense and in humanity, that I sometimes despair. Force and repression will never solve our pressing industrial problems. Both the church and the employer must wake up to the social and industrial problems of today and solve them in terms of true service and an actual, practical application of the principle of the brotherhood of man.

Mr. Rowntree has five principles which, as he has told groups of employers in America, will, he believes, bring real industrial peace.

1. The fixing of a minimum wage for unskilled labor, such as will enable a man to marry, live in a decent house and bring up a family with a reasonable margin for contingencies and recreation.

2. Limitation of the weekly working week, at most, to forty-eight hours. He has a forty-four-hour week and leaves it to his workers as to how they shall divide the time.

3. Compulsory and universal insurance against unemployment, premiums to be paid by the workers, the state and the employers combined. This to remove the constant fear of unemployment from the worker's mind.

4. A voice in management by the workers and a greater control over their work as it applies to wages, hours and conditions. An improved status for the individual workman so that democracy as an institution shall not end at the factory gate.

5. A large share in the product by labor so that increased production will mean increased return to labor as well as to capital. This product-sharing plan is different from profit sharing so often mistrusted by labor.

These policies seem far-reaching and far in the future to the average man. Yet Mr. Rowntree, by the practical application of such policies to his own business, has probably the lowest rate of labor turnover in the world, has not had a strike in sixty years, and has in addition a plant which builds men and happiness as well as profits.

When a man has worked out his ideals in practice so that he has a different solution to offer from force and repression for the industrial problems of today his views are at least worth listening to. And many big American business men are listening to them attentively.

TWO KINDS OF UNEMPLOYMENT RELIEF ¹⁰

Among the many comments concerning the article by Secretary of Labor James J. Davis, which appeared in *Printers' Ink* for March 14, 1927, under the title: *How Modern Selling and Advertising Can Check Unemployment*, was the following letter from P. W. Litchfield, president of the Goodyear Tire and Rubber Company. It will be remembered that in his article Secretary Davis called the shutdown "archaic" and pointed out how

¹⁰ *Printers' Ink*. 139:175-6. April 28, 1927.

modern selling and advertising methods could be used to keep men continuously employed. Mr. Litchfield, a close student of labor conditions and problems, says:

When business is good, employment general and consumption in excess of production, manufacturing conditions are good and usually accompanied by a satisfactory profit.

As production overtakes demand, and exceeds it, it is generally desirable to prevent unemployment by encouraging consumption by working on closer margins, and supplementing this by such sales efforts as seem to be justified by the results to be attained.

When this combination fails to bring results, unemployment is unavoidable on the part of competitive industry.

While it is not a popular theory, and one which is usually not operative, it would seem to me that the best way to stabilize unemployment would be to have public improvements, which are not absolutely necessary for the safety and health of the people, not compete with industry during periods of full employment, but defer their building operations until there is an excess of unemployed, when they should be pushed to completion at a lowered cost, by making use of the unemployed, at rates lower than paid by competitive industry; financing by bond issues which are spread over succeeding periods of prosperity.

Mr. Litchfield's latter plan is often used in foreign countries and also in this country in times of severe unemployment. Various states and cities, for example, during the serious situation in 1921, instituted public improvements which otherwise would have been deferred, and thus employed large numbers of men temporarily.

He indicates that this is not a popular plan. One reason for its failure to find favor is that skilled mechanics, in such a period, are often put to work building roads when, theoretically, they should be turning out instruments of precision. Good shoe operators are turned into temporary mortar mixers, and textile workers are used in the open places on construction jobs.

Mr. Litchfield, in his first alternative, suggests a remedy, which if it were used by the majority of manufacturers might well make his latter suggestion unnecessary.

Under the old system, when a manufacturer observed a slight falling off in his orders, he was very likely to say to himself: "I can supply normal demand for two months with my present stock on hand." Then he posted a notice on the factory door that the plant would close "for repairs" for sixty days. All employees except a skeleton force were given a period of enforced idleness with a resulting lack of purchasing power. Sometimes the manufacturer varied this procedure by instituting a three-day week for the whole force, or letting one half the operatives take an enforced rest.

A few pioneers, and practically all of them were advertisers, changed this old system by refusing to let the old catch phrase "normal demand" prevent them from taking other measures. Some of them brought out specialties, in periods of dullness, which they had previously developed in their laboratories, and by increased advertising and closely conducted sales efforts, built a market for the new product. Others searched out new markets and developed new uses for their regular line, also with the help of advertising. Instead of still further reducing the purchasing power of nearby markets, these manufacturers were able to help stabilize local demand by keeping several hundred employees at work who otherwise would have had no money to buy what other workmen made.

Instead of finding, when he was ready to resume operations, that his best workmen had moved away, and that the morale of his whole force was badly shaken, the manufacturer who sought to build new demand was able to keep his force intact while doing his share to maintain purchasing power in his own city. An ever increasing number of manufacturers of branded merchandise have followed in the footsteps of those pioneers who blazed a trail and overcame a bad custom.

If the manufacturers who adopt the new manner of meeting a slight falling off in normal demand continue

to increase in number, days when 3,000,000 men are out of work may become mere bad memories like the money panics, and the idea of putting men to work on public improvements may become unnecessary.

In the meantime, much can be done by management to cut down seasonal unemployment and to make every effort to keep men continuously at work before considering a shut-down or a drastic cut in wages.

BRIEF EXCERPTS

The Lexington (Ky.) *Leader* believes that we have come to expect too much of the Government."—*Literary Digest*. 70:11. September 10, 1921.

The greatest argument against reserve for public works is the fact that the demand for money will soon be so great that taxpayers may not want to pay out more than is absolutely necessary for the needs of the moment.—*Outlook*. 116:396. July 11, 1917.

As buffer employment public works at the right time and in the right amount will oil the starting up of the peace machinery, but it will not provide the steam to keep the machine going.—*Otto T. Mallery. Annals of the American Academy*. 81:60. January 1919.

Secretary Hoover said: "It is not consonant with the spirit or institutions of the American people that a demand should be made upon the public treasury for the solution of every difficulty."—*Samuel Gompers. American Federationist*. 29:17. January 1922.

The Baltimore *American* says: "The Government cannot be responsible for a depressed industrial situation which it has no constitutional power to correct. Such

correction must come, in so far as it can come, from the agreement of capital and labor to cooperate in fighting the causes of depression."—*Literary Digest*. 70:11. September 10, 1921.

Work relief remains discredited. In only two of the cities covered by the study did employment approximate genuine relief. With regard to distribution of work, Mr. Klein found that the question of fitness versus need was a troublesome one, especially where the employment service was provided during the emergency by the regular public employment bureau.—*Stockton Raymond Family*. 4:72. May 1923.

The *American* tells us "at the present moment many employers are being put to it to make the business wheel turn at all. The present depression is due to various natural and artificial causes, for none of which the Government is responsible. The natural causes are well known. The artificial causes lie largely in the disinclination of some of the labor bodies to go back to normalcy. The attitude of clinging to war wages, or the nearest to war wages obtainable, is handicapping employers and throttling business."—*Literary Digest*. 70:10. September 10, 1921.

"The Government itself has been forced to retrench, and is not in a favorable position to undertake large public works," explains the *New York Tribune*. The capital necessary for such a method of relief, points out the *Washington Star*, "would mount into the billions, and the people would have to provide it by heavier income, sales, tariff and other taxes; the Government cannot create work without paying for it." "Making city, county and state jobs solely for the purpose of putting men to work would be wasteful, and would do more harm than good," agrees the *Spokane Spokesman-Review*.—*Literary Digest*. 70:10. September 10, 1921.

Flagrant examples of made work are on record. The borough council of an English city in 1904 directed its surveyor temporarily to discontinue the use of the scarifier attached to the steamroller and to do any necessary road-picking work by manual labor. One of the London borough councils in the same year directed that the use of steel sweeping machines be discontinued in order that the unemployed might be given work. One American city is on record as having recently furnished work to the unemployed by having rock carted to another part of the city, whence it was later moved back again to its original location.—*Ellery F. Reed. Survey.* 47:593. *January 14, 1922.*

Secretary Hoover urged in his opening and closing addresses that remedies should be very largely outside the realm of legislation and especially outside the realm of national legislation:

"The administration has felt that a large degree of solution could be expected through the mobilization of the fine cooperative action of our manufacturers and employers, of our public bodies and local authorities.

"That this is a problem for voluntary organization is consonant with the American spirit and American institutions."

Basing itself upon these principles the Conference did not recommend national legislation requiring *any considerable new expenditure* either in appropriations (to be covered by taxes) or in the *new extension of public credit.* *Samuel Gompers. American Federationist.* 29:18. *January 1922.*

The Jones bill now before Congress is far from adequate. It provides for an appropriation of one hundred fifty million dollars for expenditure upon certain public works after a decline of 20 per cent in building contracts has occurred during three consecutive months.

Here are three glaring defects. The amount of money provided is insufficient for any but temporary and partial depressions; it does not become operative at the outset of the depression and, therefore, lacks an important element of prevention, and it relies upon only one index of declining business, namely, building contracts, whereas several others are available.

This remedy would be palliative rather than curative; partial rather than fundamental; general rather than specific; temporary rather than permanent. In order to be fundamental and specific the remedies must deal with the fundamental and specific causes, namely overproduction and underconsumption.—*John A. Ryan, D.D. The Catholic World.* 128:535-42. February 1929.

The inaction of the past administration in economic projects affecting the welfare of the people has seldom been better revealed than by the extensive publicity and comment given to Mr. Hoover's intention, announced to the annual meeting of governors through Governor Brewster of Maine, to promote industrial stability and relieve unemployment crises by accumulating a reserve of funds for public construction. The news stories, and most of the comment, read as if this were a brand-new idea sprung full-armored from the engineering brain. Yet there was not an iota of genuine news interest in the idea itself. It had been proposed years ago by economists; it was one of the recommendations of the President's Conference on Unemployment in 1922; it had been embodied in a bill introduced into Congress session after session, without result, by Senator Jones; Senator Wagner of New York argued for it last year and prepared a bill of his own to futher it; organizations like the American Association for Labor Legislation and even the American Federation of Labor have steadfastly attempted, without success, to arouse public and official interest in it. The news value of the incident was

clearly not attributable to any novelty in the idea, it arose merely from the fact that at last a President actually seemed about to commit himself to a measure of economic amelioration.

This is, indeed, an occasion for rejoicing, but before the joy becomes exuberant it may be well to wait for the concrete embodiment of the idea. It will require carefully drafted legislation, and really expert administration, before it can be effective. The executive cannot, within his own authority, do much either to retard or to hurry construction projects. If the proposal is merely to wait until depression and unemployment are visible, and then to call for increased appropriations from Congress, the depression may well be over before Congress meets, the appropriation bills are passed, the plans are drafted, the bids are received, and the work is actually started. It would be necessary to secure from Congress advance appropriations for much more construction work than is immediately necessary. The authority to spend the money made available by these appropriations would have to extend over several years, instead of merely for one, as is now customary. The projects authorized in advance, while not of the sort needed at once, ought to be useful; they ought to add to the real wealth of the country rather than being mere devices to get rid of public funds.

Such a program cannot well be an accident, a resultant of miscellaneous demands from the various departments and bureaus, or from the constituencies of the several Congressmen and Senators. In order to formulate it, there ought to be a Board of National Development—a body of engineers and economists who could lay out for years ahead a tentative program of useful public works, embracing in its range buildings, roads, river and harbor improvements, flood control, power projects, reclamation developments, forest and park enlargements, and all the other capital expenditures of gov-

ernment. When such a program of expenditures is found advisable for a city, the use of public funds cannot be considered alone. The probable and the advisable future growth of the city are considered; its industries, its housing, its means of transportation, its terminals, its recreation facilities and all the other components of its common life are studied in order to draw up a city plan which may gradually be worked out with a view to the needs of the future.

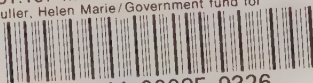
Once the plan is worked out, and the money appropriated in advance, the task is only begun. Then comes the duty of deciding which project to take up next, when to hasten expenditures and when to retard them. Even a man with the best conceivable judgment could not make such decisions wisely except on the basis of accurate, prompt and detailed statistical information concerning economic conditions. Such information is already available concerning certain aspects of business, but it is notoriously lacking concerning others, and in no field is it more scanty than in regard to the volume, nature and localities of unemployment. Experts are agreed that the only sure way to obtain good figures on unemployment is through the establishment, under Federal coordination, of a nation-wide system of free, public employment exchanges, at which those looking for jobs would register.

So far, we have assumed that the funds with which to carry on the construction work would come, as is customary with such appropriations of the United States government, out of revenues from taxation. But Governor Brewster's recommendation was immediately derived from the ideas of Messrs. Foster and Catchings, as expounded in their books "Profits" and "Business Without a Buyer." It is an essential part of the theory of these writers that depressions are caused by savings, and can be relieved only by expanding the purchasing power of consumers out of credit resources. If this

conclusion is sound, the proper way in which to finance increases of public construction designed to avoid unemployment would be from government borrowings rather than from taxation. Taxation would be utilized rather to retire the government indebtedness during periods of prosperity. Whether the theory is sound or not, it is easy to see that there are likely to be periods when large expansion of construction is advisable though cash balances are not at hand in the Treasury to finance them, and when increase of tax rates is not possible or would be too long delayed in its effect to be of much use. The whole idea of flexibility in construction activity, used as a balance wheel in the national economy, would probably be unworkable to any great extent, without resort to credit instruments. Now that the expenses of the Federal government are steadily increasing again, while taxes have been drastically cut, we are likely to face the constant possibility of a deficit, without any large addition to public construction. How then, is a construction reserve of anything like the \$3,000,000,000 mentioned by Mr. Brewster to be built up without a program of increased tax rates which would be immensely unpopular and might defeat the whole project?—*New Republic*. 57:55-6. December 5, 1928.

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